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CLOSED
UNTIL

PART XII.

FURTHER CORRESPONDENCE

RESPECTING THE

AFFAIRS

OF

ASIATIC TURKEY AND ARABIA.

240

October to December 1913.

PUBLIC RECORD OFFICE, LONDON

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112	To German Chargé d'Affaires	..	7,	Anglo-Turkish negotiations. Informs of text to be suggested to Hakki by His Majesty's Government for declaration to be made by Porte to Bagdad Railway Company relative to terminus of line, &c. Do German Government approve of it? Recommendations to be made to Shatt-el-Arab Commission (see No. 136)	84
113	Sir L. Mallet ..	557 Tel.	7,	British claims against Turkey. Refers to No. 74. Suggests alternative and simpler method for examination of claims (see No. 129)	58
114	„ „ ..	558 Tel.	8,	Tigris and Euphrates navigation concession. Refers to No. 111. Porte trust Lord Inchcape will agree to some arrangement unofficially regarding Aga Jaffer. Gathers that objections made in No. 111 will not be pressed to point of refusal of signature	86
115	To Sir L. Mallet ..	521 Tel.	8,	Tigris and Euphrates navigation concession. Refers to No. 103. Informs of instructions sent to Hakki by Porte. Compensation desired for Aga Jaffer. German interests in his firm. Contention that Bagdad Railway Company has exclusive rights to build ports at Bagdad and Basra. Asks for Turkish views regarding German participation in shares to be allotted in first instance to Turkey (see Nos. 120, 128, and 140)	86
116	„ „ ..	522 Tel.	8,	Tigris and Euphrates navigation concession. Refers to No. 103. Porte maintain that after sixty years concessionnaire's privileges should cease. This would be equivalent to cancelling concession then. To ask for Porte's observations regarding this change of attitude. Who, besides Jaffer, holds navigation permits? (see Nos. 120 and 188)	87
117	„ „ ..	524 Tel.	8,	Reforms in Asiatic Turkey. Refers to No. 101. His Majesty's Government trust Porte will adopt Russo-German scheme, and deprecate any attempt by Porte to embark on independent scheme involving engagement of British officers exclusively. Powers must work together. Porte should postpone administrative changes involving new permanent foreign appointments. To inform Porte accordingly (see Nos. 167 and 195)	87
118	„ „ ..	525 Tel.	8,	Smyrna-Aidin Railway Company's extension. Refers to No. 110. Deprecates transfer of negotiations to Constantinople. Has informed company of Porte's views (see No. 119)	88
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121	„ „ ..	900	Oct. 30,	Branch lines of Bagdad Railway Company. Despatch from Adana reporting on various	89
122	„ „ ..	908	Nov. 4,	Italian railway from Adalia. Refers to No. 65. Transmits despatch from Smyrna reporting on preliminary steps being taken by Italians, and stating that the construction of the line would harm Smyrna-Aidin Company's interests	89
123	Sir E. Goschen ..	194 Tel.	10,	Reforms in Asiatic Turkey. Refers to No. 104. Minister for Foreign Affairs now states that Porte is being pressed, and with some success, to adopt Russo-German scheme	90
124	To Board of Trade ..	Confidential	10,	Mesopotamian oil concession. Refers to No. 109. Suggests conference with Sir H. Babington Smith and Mr. Detterding. Proposes possible arrangement which might satisfy Turkish Petroleum Company and naval requirements (see No. 134)	90
125	„ „ ..	..	10,	Shatt-el-Arab dues. Transmits No. 107. Suggests reply to German Chargé d'Affaires stating that His Majesty's Government consider vessels not crossing the bar should contribute on a reduced scale to the expenses of the Commission (see No. 141*)	91
126	Board of Trade ..	Confidential	10,	British bank in Turkey. Refers to No. 100. Would welcome establishment of, but suggests simply informing Sir John Jackson that bank, if established, will receive such diplomatic assistance as is usually given to British enterprises ..	91
127	Communicated by Hakki Pasha	..	11,	Anglo-Turkish agreement. Turkish desiderata. Text of fresh draft British note consenting to monopolies, &c. (see No. 265)	92
128	Sir L. Mallet ..	562 Tel.	11,	Tigris and Euphrates navigation. Aga Jaffer. Refers to No. 115. Agrees that Aga Jaffer might be offered participation in Turkish shares. Wönckhaus apparently not a partner in his business (see No. 137) ..	93
129	To Sir L. Mallet ..	528 Tel.	11,	British claims against Turkey. Concurs in No. 113, and will propose this course to Hakki. Will Netherlands Minister act as arbitrator?	93
130	To Mr. O'Beirne ..	742 Tel.	11,	Shatt-el-Arab Convention. Russian objections. Refers to No. 90. Does he expect the desired assurances from the Russian Government shortly? (see No. 141) ..	94
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135	Communicated by Hakki Pasha	..	14,	Tigris and Euphrates navigation concession. Type modèle des Sociétés anonymes ottomanes (see criticism on article 2 in No. 132)	96
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137	Sir L. Mallet ..	570 Tel.	14,	Tigris and Euphrates navigation. Aga Jaffer. Refers to No. 128. Repeats telegram from Basra giving details regarding his financial position and assets and connection with Germans. No other permit besides Jaffer's is being worked (see No. 188)	109
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CONFIDENTIAL.

Further Correspondence respecting the Affairs of Asiatic Turkey and Arabia.

PART XII.

[44738] No. 1.

British Missionary Institutions in Turkey: Memorandum by Mr. Weakley.—(Received at Foreign Office October 1, 1913.)

THE question of the status of missionary and philanthropic institutions in Turkey was brought forward by the French Government in 1901, at the time of what is known as the "Mitylene incident," when the following demands were made by the French Government in a note addressed to the Porte on the 2nd November, 1901:—

1. Official recognition and regularisation of the position "des établissements scolaires, hospitaliers et religieux, placés sous la protection de la France."

2. Immediate delivery of firmans for the construction or repair of certain institutions.

3. Issue of berat recognising the Chaldean Patriarch.

The Porte, in its notes of the 6th and 9th November, 1901, acquiesced in all the French demands, subject to some slight modification of the requirements relating to schools.

The Porte undertook—

(*a.*) To recognise the legal existence of existing schools, whether previously recognised or not, and to allow them to enjoy customs immunities;

(*b.*) To recognise the legal existence of all existing churches, chapels, hospitals, dispensaries, orphanages, asylums, and other establishments, whether previously recognised or not, and to allow them to enjoy immunity from real property tax and customs duty;

(*c.*) To authorise the construction, repair, &c., of the institutions mentioned in the French Government demands, and to recognise them on their future scale; and

(*d.*) To adopt a new procedure for the purpose of future constructions or repairs of educational, religious, and other similar establishments (except in exclusively Moslem quarters), whereby applications for the necessary authorisation made by the embassy to the Ministry for Foreign Affairs should be considered as granted, and the new institutions enjoy the same privileges as existing ones, unless the Porte formulated reasoned objections in writing within six months.

Other Powers seized the opportunity of regularising the situation of their own institutions, the Russians following the French, and, in April 1902, His Majesty's Embassy, having obtained the approval of the Foreign Office, took a similar course.

On the 2nd June, 1902, the embassy accordingly addressed a *note verbale* to the Porte asking for the recognition of the institutions enumerated in two lists, viz.:—

(A.) One comprising institutions already recognised; and

(B.) The other those not previously recognised.

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Having been pressed in a second note from the embassy, dated the 5th November, for an answer, the Porte replied on the 24th January, 1903, stating that an iradé had been issued for the recognition of the institutions in question, except three schools in Syria and the Sailors' Home in Smyrna, as regards which the Porte stated further enquiry was needed, and that, as regards sites not yet built on, "the necessary formalities would be executed in accordance with the law on the subject upon applications, with a view to building, being made." The note, however, gave no details as to what was implied in the recognition.

Shortly after the issue of the iradé, the Porte asked for certain supplementary information. A takrir was eventually addressed to the Porte on the 22nd July, 1903, enclosing a supplementary list of sixty-two institutions, the legal existence of which the Porte was asked to recognise. This new list, in which was subsequently added (by takrir of the 13th August, 1904) two further institutions at Smyrna, was referred to the Council of State. In May or June 1905 the Council of State reported in favour of the recognition of the majority of these institutions, reserving for further consideration four institutions in Syria, the branches of the Evangelical school in Smyrna, and two institutions of the Church Missionary Society in the Beirout district. The subsequent history of this supplementary list is obscure; the Porte forwarded it to the palace, where the matter remained indefinitely in abeyance. Nothing further has been done since the change of the régime, although further correspondence passed with regard to the institutions reserved by the Council of State, with the result that the branches of the Evangelical school at Smyrna were recognised. The correspondence relative to the four institutions in Syria was inconclusive, and the Church Missionary Society agreed to drop the two institutions in the Beirout district.

From the point of view of recognition, the British institutions in Turkey may be classified under the following heads:—

Lists presented with embassy note on the 2nd June, 1902—

(A.) Institutions included in the 1902 list and formally authorised prior to that date.

(B.) Institutions included in the 1902 list but not formally authorised prior to that date.

The (B) list comprised eighty-three institutions, including those about which the Porte made a reservation. After the institutions of this class were recognised it was intended to apply for separate firmans for such of them as occupied property belonging to the societies responsible for them, but this has never been done.

Supplementary list presented with embassy takrir on the 22nd July, 1903—

(C.) Institutions included in the 1903 list and formally authorised previous to that date. (There were none.)

(D.) Institutions included in the 1903 list but not formally recognised previously.

The position of these institutions as regards recognition has been explained. The importance of the supplementary lists is not great, as many of the institutions mentioned are merely annexes of institutions mentioned in the 1902 list.

(E.) Institutions which have come into existence since the date of 1903 list and have been formally authorised.

(F.) Institutions which do not figure in either list and which have never been formally authorised.

(G.) Cemeteries not included in above.

(H.) Miscellaneous. This class comprises a very small number of institutions which for one reason or another cannot be included under any of the preceding ones.

The correspondence in 1901-03 with the Porte made no reference to Moslem institutions, a certain number of which seem to exist in Basra, Jeddah, &c. Bookshops were not included in the lists submitted to the Porte, the only exception being the British and Foreign Bible Society's agency in Constantinople. We do not claim privileges for book-distributing agencies, even though their work may be considered to be of a philanthropic kind. We did not as a rule mention missionary dwelling-houses separately from the institutions with which they are connected.

With regard to the privileges which arise from recognition, they may be classified as follows:—

1. *Exemption from Customs Duty.*—On imported building material and on supplies subsequently imported for the use of institutions. (The extent of this exemption is defined in a special regulation. See "Young," vol. iii, p. 241).

2. *Exemption from Real Property Tax.*—This applies only to property owned by the society responsible for the institution. It has been placed on a more definite basis than heretofore by article 2 of the law of the 14th June, 1326 (the 27th June, 1910) on "mussakafat verghissi," or the tax upon real property occupied by roofed buildings, but there is still no general regulation as to its extent, and there has for some time been a growing tendency on the part of the Turkish authorities to limit its operation, and to exclude property not actually occupied by buildings used by the institution, teachers' houses, and even property occupied by the institutions when not registered in the corporate name. In a notice dated the 12th April, 1910, the Porte dwelt on the undue extent of the fiscal immunities enjoyed by foreign institutions, and proposed to terminate this anomalous state of affairs on the basis of certain principles, namely:—

(1.) That all non-gratuitous institutions should pay the tax.

(2.) That gratuitous institutions should be exempt from taxation for an area double that actually occupied by their buildings.

(3.) That in all cases "immeubles de rapport" should be taxed as well as premises hired, not owned, by those responsible for those institutions.

The notice was referred to the meeting of dragomans, which held that the proposals could hardly be opposed, provided existing immunities were left intact, but it was decided not to reply to the notice for the time being. The proposals do not seem unreasonable in principle, but considerable difficulty will arise if it is sought to apply them to institutions already enjoying more extensive immunities in virtue of former recognition.

3. *Tashih-i-Kaid.*—This is a privilege whereby institutional property is allowed to be vested in the corporate name of a society, &c. An Imperial iradé is required in each case. It is perhaps doubtful whether the issue of each iradé can be claimed as a right, but it is understood that the American Embassy has so established it, and we might, in case of need, invoke most-favoured-nation treatment. While in practice the Turkish authorities create difficulty by protracting formalities, they do not in principle contest the right of societies to have property which is really used for institutional purposes registered in their name. In a communication (notice of the 16th December, 1909) the Porte implied it was the duty of the societies concerned to register in the corporate name. His Majesty's Embassy has hitherto resisted this contention, not only because of the difficulties experienced in obtaining registration, but also because the commutation rent ("mukataa") in the case of Wakf property is now fixed at 1 per cent. of the valuation, a percentage which in some cases would amount to a heavy ground rent considerably out of proportion to any loss sustained by the Wakf owing to non-reversion. It may in those cases suit the missionary society better to leave the property in the name of trustees.

It may be noted in connection with this privilege that the Porte attempted to make it conditional on the societies, &c., first conforming to the association law of the 16th August, 1909. This gave rise to opposition on the part of the embassies, and in a circular (No. 96 of the 26th October) the Porte eventually informed the missions that the law in question should not be applied to institutions already recognised by Government, and that they would be dealt with in accordance with existing agreements.

If registration were made easy, it might perhaps be worth while to admit that all societies should put their institutional property in the corporate name as a condition of enjoying privileged treatment. It is thought that the French lean to this view.

4. *Six Months' Rule.*—The "Mitylene Agreement" provided, as has been mentioned already, that applications made by the French Embassy for permits to build or repair institutions in other than Moslem quarters should be taken for granted, unless written reasoned objections were made by the Porte within six months. This rule can be invoked by other Powers under most-favoured-nation treatment. The American Embassy has more than once invoked it, and the British Embassy has done so in the case of Mr. Macnaughton's school, &c., at Afium Kara-Hissar in 1906.

5. *Exemption from School Permits.*—The Porte appears always to have held in principle, though it has not always insisted in practice, that foreign schools should take out permits under article 129 of the law on public instruction.

In 1891–92 an attempt was made to enforce the regulation, but, it having been objected to, the Grand Vizier issued orders that foreign schools should not be interfered with pending a definite decision. In 1903 an attempt was made in Smyrna to compel foreign schools to take out permits, and on that occasion M. Marinitch definitely laid down the principle that, as the schools once recognised by iradé were on an exceptional footing, they should not be required to take out permits, more especially as the particulars required for that purpose were of an objectionable kind.

The Porte, for some time past, has sought by various means to curtail the privileges hitherto granted to missionary institutions, and has now made it a rule to refuse to entertain applications for new firmans unless the societies, &c., interested agree to pay the real property tax and customs duty on imported building material. The insistence for payment of real property tax is made notwithstanding the stipulations of article 4 of the law of the 14th June, 1326 (27th June, 1910), on the tax of real property occupied by roofed buildings. The article is as follows:—

"Article 4. Immunity *vis-à-vis* the Treasury is either permanent or temporary. The properties which enjoy immunities in a permanent fashion are these:—

"1. .....

"2. .....

"3. .....

"4. .....

"5. Dervish houses and convents recognised by the proper department, and places of worship and monasteries belonging to the different religions recognised by the Government, and their dependencies situate within their compounds provided they be not obtained by hiring or let out.

"6. .....

"7. Built on property, not being hired or let out, which is used for theological schools or for establishments devoted to instruction or benevolent work, and authorised by the Government."

This article would appear to apply to all schools, hospitals, &c., but the legal advisers of the Porte maintain that it applies only to those of Ottoman nationality. It should be observed that the demand made for the payment of real property tax on new institutional property owned by foreigners is made in the case of all, except the actual sites of churches, which are still exempted.

Two distinct kinds of case arise in practice. The first is that of missionaries, &c., desiring to add to or modify institutions already in existence, without exceeding the ground already exempt from taxation in virtue of previous recognition. The second, that of institutions to be built on sites not hitherto exempted. In the first case it would obviously be inconvenient to admit the Porte's pretensions for it would mean that buildings, or portions of buildings, the sites of which were exempt from taxation, would themselves be liable, and various practical complications would then arise. In the second case this objection would not arise, but it is doubtful whether, under the arrangements made by the Porte with the various Powers interested in 1901 and the following years, the latter can claim as of right to build what institutions they please, and obtain for them the benefit of the privileges assured to these existing institutions by those arrangements.

The demand for the payment of customs duty on imported building materials is contrary to the first article of the regulations respecting "Immunities of Religious Communalties" (see Young, vol. iii, p. 241), but this did not prevent the authorities from beginning to make it, without abrogating the regulation, some little time after Turkey became a constitutional country.

It is owing to this new policy that the Church Missionary Society were obliged, despite the strenuous representations made by His Majesty's Embassy in the early part of 1912, to accept the conditions upon which the Porte would permit them to build their hospital at Bagdad; the Porte was informed by Sir G. Lowther that the society, without prejudice to the embassy's point of view on the general question, consented to build, subject to the payment of the real property tax and customs duty on imported building material.

A similar case arose in connection with a hospital which the United Free Church of Scotland Mission desired to build at Hebron. The society were, however, unwilling to agree to the payment of real property tax and customs duty, and consequently the society's agent was informed in 1912, through His Majesty's consul at Jerusalem, that there was no prospect of being able to obtain a firman for the Hebron hospital except on the terms offered by the Porte.

As far as the question of the real property tax is concerned, Mr. Ryan, in his memorandum enclosed in Sir G. Lowther's despatch No. 331 of the 22nd April, 1912, was of the opinion that we should not claim exemption for any extensive property outside that clearly utilised for the immediate purposes of the institution. On the other hand, we should refuse to allow *bonâ fide* institutional property to be taxed on the ground that it was held in the name of a trustee (see note to the Porte, No. 54, of the 13th June, 1910). As regards dwelling-houses of teachers, &c., we should follow the Americans, who claim exemption for dwelling-houses which form part of the mission premises and the occupants of which do not pay rent. According to M. Marinitch's view, the exemption from real property tax runs from the completion of the institutional building, and missionaries, &c., are liable for the tax on property acquired by them for prospective institutions up to that time. It should be noted that the French, at the time of the Mitylene Agreement, did not claim this exemption for schools. The reason for the distinction is not known, and it is not really made in practice.

With regard to school permits, certain distinctions have been drawn between permit and non-permit foreign schools which are unfavourable to the latter. Thus, on the 10th December, 1910, the Porte issued a circular stating that the diplomas of schools which had not provided themselves with permits within a year of that date would not be accepted as a qualification for entry into Turkish higher schools, and besides, the Government refuse to exempt native teachers employed in non-permit schools from military service.

In connection with the question of permits, it is to be observed that we have never been entirely consistent in our opposition to the application of article 129 of the law on public instruction to our schools, and many schools hold permits dating from before 1903, while at least one school in Constantinople has since obtained one. It is doubtful whether foreign schools, even though recognised by iradé, can claim exemption from the obligation to take out permits under article 129, and it is, moreover, doubtful whether under present circumstances we should be well advised to maintain an attitude of resistance should the Turks insist. Sir G. Lowther thought (despatch No. 495 of the 3rd June, 1913) it hardly equitable to insist that foreign schools shall not be subject to any control and at the same time to insist that they shall enjoy privileges of permit schools in matters in which the Turkish Government are within their own domain, such as the conditions of entry to Turkish higher schools, and the conditions under which Ottoman subjects shall be exempt from military service. The Americans, it appears, have for many years admitted the Turkish point of view as to the application of article 129 to all schools. The American Embassy does not discourage American missionaries from taking out permits for their schools, and does not claim any exemption from military service for teachers in schools which are not provided with them. Sir G. Lowther thought that, whilst it might be proper to make some concession, it would be premature to do so without knowing to how much Government control we should have to commit ourselves. The control contemplated by article 129 of the old law on public instruction is vague, and, although a new law regulating the position of non-State schools generally has been under consideration, it seemed, in Sir G. Lowther's opinion, in the best interest of missionary schools to commit them to nothing until such a law is passed, or, at any rate, until we are enabled to estimate more certainly the effect of a concession to the Porte's point of view.

Mr. Marling, in referring to the general question of missionary institutions in Turkey (despatch No. 745 of the 27th August, 1913), pointed out that what we might reasonably look for, in negotiating with the Turkish Government, is that there should be a clear understanding as to the status and privileges of existing institutions, and that adequate facilities should be granted for the creation of new ones, and that any concessions made to the Porte's point of view as regards immunity from taxation and other privileges should be compensated by some assurance of a less obstructive attitude in connection with various matters of detail than has been maintained by the Porte for the last ten years. As this is a matter in which the privileges granted to any Power can be claimed by others under most-favoured-nation treatment, it would be natural for the course of any negotiations on the subject to be parallel with those now pending between the French and the Turkish Governments. These negotiations appear to be progressing slowly. In handling that portion of them which has reference to French missionary establishments the French Government aims at obtaining a clear understanding as regards the privileges secured in 1901 for existing institutions and the settlement of certain questions of detail which were not expressly dealt

with at that time. They realise that it will probably be necessary to make certain concessions to the Porte in connection with privileges of new institutions. It would be unwise to commit ourselves definitely beforehand to an acceptance of any arrangement made between them and the Porte, but, as they have hitherto been in many respects the most uncompromising upholders of missionary privileges, the chances are that such an arrangement would be as satisfactory to us as any we were likely to negotiate independently.

E. WEAKLEY.

September 23, 1913.

[44687] No. 2.

India Office to Foreign Office.—(*Received October* 1.)

Sir, *India Office, September* 29, 1913.

IN continuation of Sir T. Holderness's letter of the 13th August last regarding the proposals of the German Government for the establishment of telegraphic communication between German East Africa and the Far East via the Persian Gulf, I am directed to enclose, to be laid before the Secretary of State for Foreign Affairs, copy of a telegram from the Viceroy on the subject.

The Marquess of Crewe concurs generally in the views expressed by the Government of India as to the political aspects of the project, and he agrees with them that it is desirable on broad grounds that consent should be withheld.

If Sir E. Grey is of this opinion the terms of the reply to the German Government will no doubt require careful consideration. A report from an Interdepartmental Committee reviewing the question as a whole would probably be helpful; and I am to suggest that such a committee should be appointed for this purpose, as well as for the consideration of the details of the alternative scheme that has been suggested as a possibility (see letter from the General Post Office to Foreign Office, dated the 5th August, 1913), in the event of His Majesty's Government not seeing its way to oppose the German project in its entirety and preferring to propose a modification.

I am, &c.

LIONEL ABRAHAMS.

Enclosure in No. 2.

Government of India to the Marquess of Crewe.

(Telegraphic.) P. *September* 18, 1913.

GERMAN cable in the Persian Gulf.

Please refer to your telegram of the 11th August.

The object of the scheme clearly is political, and in our opinion further evidence is afforded by it that Germany entertains persistent design of establishing a footing in the Gulf. This is in direct opposition to the policy we have long followed, of preventing any Western Power, especially a naval Power, from extending its influence to these shores. We are not aware that there is any exclusively German telegraph line in possession of German Government from Berlin to any Mediterranean port, nor from any European port to one in Asiatic Turkey, and therefore we hold strongly the opinion that strenuous opposition should be offered to the proposal. The reply which we should prefer to make to Germany is that Great Britain cannot consent to a proposal for which no commercial justification appears to exist, which clashes with the privileges in Persia and in Turkey secured to, and now enjoyed by, British telegraph companies, and cannot be reconciled with the rights and interests long established by Great Britain in the Persian Gulf.

[44684] No. 3.

India Office to Foreign Office.—(*Received October* 1.)

Sir, *India Office, September* 29, 1913.

WITH reference to your letter of the 24th September, 1913, respecting oil deposits in Koweit, I am directed to inform you that the Marquess of Crewe concurs in the

opinion of the Secretary of State for Foreign Affairs that the Sheikh of Koweit should be asked to grant a concession in favour of a nominee to be recommended by His Majesty's Government, the question of the actual concessionnaire being reserved for future consideration.

I am to enclose the draft of a telegram which his Lordship proposes, with Sir E. Grey's concurrence, to address to the Government of India on the subject.

I am, &c.

LIONEL ABRAHAMS.

Enclosure in No. 3.

Draft Telegram to Viceroy.

(Secret.)

YOUR telegram of 11th September: Koweit oil.

His Majesty's Government consider that Sheikh should be asked to grant concession "in favour of nominee to be recommended by His Majesty's Government," question of actual concessionnaire being reserved for present. Cox should approach Sheikh accordingly at first suitable opportunity.

[44771] No. 4.

Ottoman Railway from Smyrna to Aidin to Sir Edward Grey.—(*Received October* 1.)

(Confidential.) *Winchester House, Old Broad Street, London, October* 1, 1913.

Sir,

YOUR letter of the 17th ultimo has now received the full consideration of my directors, and I have been requested by them to thank you for your communication and for your support of the company's application to the Ottoman Government for an extension of its railway to Beyshehir.

As regards the remark of Hakki Pasha that it might be advantageous if this company were transformed into an Ottoman company, my directors are of opinion that the suggestion cannot be entertained, as, quite apart from serious disadvantages that might accrue to the interests of this company in Asia Minor, they feel sure that their bond and shareholders (the present capital being nearly 5,000,000*l.*, and all raised in this country in reliance on its present status and its English domicile) would strenuously resist the proposal, and that it would be extremely difficult, if not impossible, to raise capital in the future for extensions of the railway or for other purposes of the company if the proposed change in its constitution were carried out.

The board desire to point out further that this company has been carried on for nearly sixty years without any serious difficulty on its present lines, greatly to the advantage of the country in which it operates, and that if the company is peculiar in having a non-Ottoman domicile, it is peculiar also in having no guarantee or contribution from the Ottoman Government, and the board is not asking for anything that will not confer a greater benefit on the districts that would be affected by the proposed extensions than is ever likely to be reaped by this company.

It is not the first time such a suggestion for the transformation of this company has been made, and my directors feel confident that it will not be persisted in if the Ottoman Government is willing on other grounds to grant the concession for which we are now asking.

I have, &c.

THOS. D. COOKE, *Secretary.*

[44895] No. 5.

India Office to Foreign Office.—(*Received October* 2.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of a telegram to the Viceroy, dated the 25th September, 1913, regarding the Anglo-Turkish Convention.

India Office, October 1, 1913.

Enclosure in No. 5.

The Marquess of Crewe to Government of India.

(Telegraphic.) P. *India Office, September 25, 1913.*

PLEASE refer to your telegram as to Anglo-Turkish Convention, dated 9th ultimo.

His Majesty's Government accept your views, and you may give Resident in Gulf instructions accordingly.

[44995] No. 6.

India Office to Foreign Office.—(Received October 3.)

Sir, *India Office, October 2, 1913.*

I AM directed to acknowledge the receipt of your letter dated the 24th September, 1913, reporting the result of the recent informal negotiations with the representative of Messrs. R. Wonckhaus and Company in regard to the question of red oxide on the island of Abu Musa.

The Marquess of Crewe learns with satisfaction that Messrs. Wonckhaus have agreed to a settlement of this troublesome question on the lines advocated in Sir T. Holderness's letter of the 8th July last, viz., the payment to the firm of a lump sum in extinction of any rights which they may have acquired. It remains only to fix the precise amount to be paid, and on this point his Lordship understands that a detailed claim is likely to be received from Messrs. Wonckhaus during the next few weeks. He concurs in the proposal of the Secretary of State for Foreign Affairs that the claim, when received, should be referred in the first instance to the Board of Trade for examination and report.

The question of the division as between British and Indian revenues of any sum that may ultimately be paid to Messrs. Wonckhaus will be considered at a later date.

I am, &c.

LIONEL ABRAHAMS.

[45086] No. 7.

Mr. Dering to Sir Edward Grey.—(Received October 4.)

(No. 205.)

Sir, *Rome, September 27, 1913.*

WITH reference to my despatch No. 251 of the 21st instant respecting the concession obtained by an Italian syndicate from the Ottoman Government to study the construction of a railway from Adalia to Baldur, I have the honour to report that the German Chargé d'Affaires came to see me to-day, and mentioned that when the press reports on the subject were published he was at Finggi, where the Italian Minister for Foreign Affairs was staying. His Excellency did not, however, mention the subject to him, and, when he asked whether the report was correct, appeared to know nothing about it. Herr von Hindenburg was therefore astonished, on returning to Rome and endeavouring to elicit information from the Acting Secretary-General, to receive a somewhat reserved confirmation of the partial accuracy of the press statements.

I gathered that Signor Garbasso told him no more than he had told me on the 17th instant. Herr von Hindenburg also received the impression that a railway was the aim of the concessionnaires, and expressed to me his surprise that they should not have taken the pains to ascertain from parties first interested whether the field was free. He asked whether the Smyrna-Aidin Railway Company had not interests connected with Adalia which would be affected, and whether they had not taken any steps to inform the Italian concessionnaires to that effect. In connection with German railway enterprise, he said that the question of a concession to Italy would naturally interest his country also, and he therefore wondered that no information had been volunteered by the Italian Government. German and British railway interests in Asia Minor were rapidly becoming reconciled, and he thought that I should have no objection to telling him frankly if we had taken any steps to warn the Italian Government that they might be treading on other people's toes.

I told him that we had no wish to hamper Italian enterprise in Asia Minor, but that as a matter of fact the Smyrna-Aidin Railway Company had a prior concession for an extension of their road, and that it would appear to be a more friendly act to warn the Italian Government of its existence before the public had made too much capital out of the announced Italian concession and the question became more difficult to handle. I had therefore been instructed to inform the Italian Government in this sense, so that there should be no misapprehension as to our attitude.

Herr von Hindenburg said that Signor Garbasso did not seem inclined to afford him any information as to the exact scope and aims of the Italian syndicate's concession, and repeated his surprise that the Italian Government should have supported the scheme without looking further ahead, and should, moreover, as it rather appeared, withhold information on the subject from countries who necessarily had interests in those regions. He stated that at the time when he received the reluctant confirmation from the Acting Secretary-General he had reported the matter home, and, from the fact that he paid me a visit on appointment, I presume that he had had instructions to endeavour to learn more as to Italian aims. This, I gathered, he has been unable to do from Italian sources, and I told him that I knew no more than himself on that point.

I have, &c.

HERBERT G. DERING.

[45232] No. 8.

Admiralty to Foreign Office.—(Received October 4.)

(Confidential.)

Sir, *Admiralty, October 3, 1913.*

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge your letter of the 17th instant regarding the oil-fields in the Farsan Islands, and to acquaint you that the possibility of Rear-Admiral Sir E. Slade's committee visiting this place on the way to the Persian Gulf had already been under consideration. In view, however, of the time at the committee's disposal and the extent of the investigations to be carried out in Persia and at other points in the Gulf, it was decided that such an arrangement would not be practicable.

2. I am to observe that as the value of these fields has not been proved, and as a concession has already been applied for and will presumably be granted to the Farsan Islands Company (Limited), any indication of special interest in the islands at this stage might be premature.

I am, &c.

W. GRAHAM GREENE.

[44447] No. 9.

Sir E. Crewe to Mr. Slaughter.

Dear Mr. Slaughter, *Foreign Office, October 4, 1913.*

I HAVE received and carefully considered your letter of the 25th September. I regret that some days should have elapsed before I have been able to reply; but I have found it necessary, in regard to the points which you raise, to consult Mr. Parker, who, as you are aware, is on leave in the north of Scotland, and also to communicate with the Board of Trade. There has not yet been time for me to receive the observations of the latter, and I can consequently even now only reply generally to your communication.

I am not free to depart from Sir E. Grey's decision, taken after due consideration, that the communication to Mr. Lynch of the text of the concession is a matter to be left to the discretion of Lord Inchcape, and seeing that this decision was conveyed to Lord Inchcape as definite, I am afraid I could not ask Sir E. Grey to reconsider it or to put pressure on his Lordship, which would, in fact, be tantamount to withdrawing from him the discretion conceded.

I feel more than ever convinced, viewing the situation as a whole, that the first step at the present juncture ought to be a meeting between Lord Inchcape and Mr. Lynch, and a full discussion between them with a view to a settlement, and I

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cannot but think that when such meeting and discussion have taken place, much of what Mr. Lynch now appears to apprehend as difficulties will be found to disappear.

I have, &c.
EYRE A. CROWE.

[44447] No. 10.

Sir E. Crowe to Lord Inchcape.

(Confidential.)
Foreign Office, October 4, 1913.

Dear Lord Inchcape,

I THINK it right to send you, for your confidential information, copies of correspondence that has recently passed between Mr. Slaughter, this Department, and the Board of Trade respecting the navigation of the Euphrates and Tigris.* The papers will explain themselves.

Should you wish to offer any observations on this correspondence, I, on my part, will of course also treat them as confidential.

I have, &c.
EYRE A. CROWE.

[44447] No. 11.

Foreign Office to Lord Inchcape.

Foreign Office, October 4, 1913.

My Lord,

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 22nd September respecting the proposal of the Euphrates and Tigris Company that the Bagdad Railway Company's steamers should be free to carry general cargo from Bagdad.

I am to inform you, in reply, that Sir E. Grey concurs in the views expressed by your Lordship.

I am, &c.
EYRE A. CROWE.

[44447] No. 12.

Foreign Office to Board of Trade.

(Confidential.)
Foreign Office, October 4, 1913.

Sir,

I AM directed by Secretary Sir E. Grey to transmit to you herewith copies of recent correspondence that has passed between this Department and Mr. Slaughter respecting the navigation of the Tigris and Euphrates.†

Sir E. Grey would be glad to receive any observations the Board of Trade may have to offer on these papers.

The question of the proper moment for communication of the text of the concession to Mr. Lynch is, in Sir E. Grey's opinion, one for Lord Inchcape to decide in the first instance, and he is not prepared to press his Lordship in this respect, least of all until the concession itself has been actually signed, more particularly as it has been considered undesirable so far to inform Mr. Lynch that this concession has as yet only been initialled *ad referendum*. An enquiry has, however, been addressed to Hakki Pasha as to the date on which its signature may be expected, his Highness having given Sir E. Grey to understand that he hoped to be in a position to sign by the 1st September.

Sir E. Grey would, in particular, be glad of the Board of Trade's observations on the three specific points raised at the end of Mr. Slaughter's letter of the 25th September.

The first point would appear to be dealt with in the concession itself, and Lord Inchcape might perhaps be willing to furnish the desired information to Mr. Lynch.

As to the second point, namely, the treatment of water-borne traffic on the railways beyond Bagdad, I am to enquire whether, in the opinion of the Board, this

* Part XI, No. 399; and Nos. 9 and 12.

† Part XI, Nos. 387, 388, and 399; and No. 9.

question may be considered to be covered by the terms of the draft railway agreement with Turkey which was initialled on the 5th May, or by article 2 of the British counter-draft of the 18th September, or, if not, whether a clause should be added to the agreement, or an additional note be addressed to the German Embassy, to make the matter clear.

As regards the freighting of the steamers of the Société de Transports fluviaux on their downward voyages, the third point raised in Mr. Slaughter's letter, I am to refer to your letter of the 2nd September, discountenancing the request of the Euphrates and Tigris Steam Navigation Company that an exception from the monopoly to be conferred on the new Ottoman Navigation Company should be made in favour of the downward carriage of general cargo by the steamers of the Railway Transport Company. A letter in this sense was addressed by this Department on the 15th September to Lord Inchcape. I am to transmit to you herewith a copy of his Lordship's reply.* It will be seen that he also objects to the request. Sir E. Grey considers that Lord Inchcape's view must be supported in this matter, and has notified him of his concurrence, but meanwhile he would propose to adhere to the course suggested in paragraph 2 of your letter of the 2nd September.

Indeed, Sir E. Grey feels that it would be difficult for this Department to enter into discussion upon the points enumerated by Mr. Lynch until the concession initialled by Lord Inchcape and Hakki Pasha has been signed, and until, consequent on such signature, Lord Inchcape has ascertained whether he can come to terms with Mr. Lynch.

I am, &c.
EYRE A. CROWE.

[45367] No. 13.

Mr. Marling to Sir Edward Grey.—(Received October 6.)

(No. 818.)
Constantinople, September 25, 1913.

Sir,

I HAVE the honour to forward copy of a despatch from His Majesty's consul at Basra, transmitting, with comments, a translation of the Basra Arab Reform Committee's programme.

It tallies in essentials with the reforms advocated by the Syrian Arabs, who recently held a congress at Paris. The Committee of Union and Progress sent emissaries to Paris, and, as the result of negotiations, succeeded in winning over the younger Arab delegates. A sort of pact was come to between the Young Turks and Young Arabs on the basis of the concession of some of the Arab demands, and this Young Turco-Arabian alliance was consecrated at a banquet recently given here by the prominent members of the Committee of Union and Progress to the Young Arab delegates.

The concessions made to the Arabs and sanctioned by Imperial iradé come under four heads, viz.:—

1. The revenues of local Vakoufs are to be handed over not to the Constantinople Ministry of Vakoufs, but to local Moslem councils, which can utilise these funds for the foundation and upkeep of Moslem schools on the lines of similar institutions maintained by the Christians and Jews.

2. In time of peace the recruits are to do their military service in their own locality, with the provisos that no such distinction be allowed when there is question of "reinforcing frontier garrisons," and that the garrisons of Hedjaz, Yemen, Assyr, and Nejd be chosen proportionately from the contingent for the whole Empire.

3. In regions where the majority of the population speak Arabic, that language is to be the medium of instruction in all schools. For the moment this system is to be introduced into the primary and secondary schools, while the teaching of Turkish, the official language, is obligatory. Later on the system will be introduced into the higher schools, while, in order to propagate the official language, the use of Turkish as a medium of instruction will be continued in the Idadi schools at the administrative centres.

4. All officials in Arab provinces must be acquainted with Arabic as well as

* Part XI, No. 391.

Turkish. The minor provincial officials will be selected according to special regulations, but judges and judicial functionaries of this category, appointed in virtue of an Imperial iradé, are to be chosen by the Central Government.

Shortly after the Young Turco-Arab pact had been concluded on the above basis, the Arabs of Syria and other places declared that the Young Arabs who had been won over by the Young Turks were not representative of Arab feeling and wishes in the matter, and deputations of Arabs of the type of Seyyid Talib, of Basra, arrived in Constantinople to insist on a wider basis of agreement. Talaat Bey and other Young Turks proceeded to play off the fresh arrivals against the earlier delegates, and to split both on a Moslem *versus* Christian basis. Thereupon the second deputation left in disgust and with the determination of insisting on the wider programme. The essential of the latter (article 16 of the Basra programme) is the right claimed for the local General Council to dismiss the Vali by a two-thirds majority. The object is to exercise a check on the excessive powers conferred on the Vali, who is the nominee of the Central Committee of Union and Progress, a body not very popular in the Arab provinces. Indeed, it may be noticed that the underlying tendency in the Basra programme is one of aversion from the rule of the Committee of Union and Progress rather than that of separation from the Ottoman or "Turkish" Government.

I have, &c.
CHARLES M. MARLING.

Enclosure 1 in No. 13.

Consul Crow to Mr. Marling.

(No. 51.)

Sir, *Basra, August* 28, 1913.

I HAVE the honour to transmit a copy of the scheme of reforms, consisting of twenty-seven articles, recently drawn up and distributed by the so-called Basra Reform Committee, which is headed by Seyyid Talib Bey. A summary of its contents in translation is annexed.

The programme now printed separately and published also in the "Destour" of the 9th (22nd) August last is the first public indication we have had of Arab views on this subject. Its scope appears exhaustive and far-reaching, but the scheme does not, I think, represent the irreducible minimum of the Arab demands. From previous conversations with Seyyid Talib Bey, I gather that he and his friends would be satisfied with much less, and are quite prepared to water their wine. The points, however, to which the reformers attach most importance are probably those which the Committee of Union and Progress Government are least likely to concede, *e.g.*, those dealing with the powers and status of the Vali, whom the Arabs want to make entirely subordinate to the General Council, even giving it authority to dismiss him by a majority of two-thirds of the votes of a full house; or, again, the employment for local purposes of the large proportion of taxes claimed in article 17, and the extensive powers of the General Council as defined in articles 7 and 8.

It will be observed that the Arabs do not want foreign assistance in order to develop their country. According to article 2, foreigners are anathema. They are to be repelled, their influence checked in every possible way, and the land to be protected against their intrigues. They are to get no concessions in Irak. I hardly think this clause expresses the unanimous opinion of the country on the subject. My own experience is that, apart from a small chauvinistic element chiefly formed by Turks and officials, popular sentiment is generally not averse to the development of Irak under foreign auspices. The Arabs are Anglophil, and are certainly much drawn towards India; they are, however, less fond of the Germans.

Other reforms outlined in the programme appear to be of a practical nature and are much needed, *e.g.*, those dealing with the official use of Arabic, the simplification of official business and correspondence, the inspection of Courts and Government offices, and the Evkaf Department, which is, I am informed, disgracefully mismanaged.

I have, &c.
F. E. CROW.

Enclosure 2 in No. 13.

Programme of the Basra Reform Committee.

(Translation.)

IRAK to be Ottoman territory under the Crescent.

2. No concessions to be given to foreigners in Irak. Foreigners to be repelled, the country to be protected from their intrigues, and foreign influence to be checked in every possible way.

3. Turkey, an Ottoman State under the authority of the Caliphate and not an Empire.

4. Matters relating to this authority and its branches, *e.g.*, foreign and military affairs, customs, posts, telegraphs, laws, regulations, dues, and taxes appertain to the Central Government, but local matters relating to the internal concerns of the vilayet, its administration, progress, and development appertain to the General Council of the vilayet.

5. The Vali has to execute the decrees of the Central Government and those of the General Council. He appoints officials after consulting the General Council, and attends to other matters defined in a special law.

6. One member for every 12,500 persons in the vilayet, to be elected to the General Council for four years.

7. General Council has full power to discuss all matters of internal interest in the vilayet; may pass decisions; make internal regulations; form companies for commerce, industry, and agriculture; give concessions; fix pay of officials and abolish unnecessary posts; interpellate Vali on any point and demand his dismissal if necessary; frame budget; establish schools; dig creeks; drain marshes; exploit mines and give concessions for this purpose; build roads and bridges; establish agricultural banks and schools; distribute seed and encourage industry; form a Chamber of Commerce and a Bourse; develop trade and hold industrial and agricultural exhibitions and competitions; build hospitals, orphanages, and alms houses.

8. General Council may increase numbers of gendarmerie and police forces, and establish guard-houses where required. Members to be chosen in preference from time-expired soldiers; may make a survey of the province and register all lands; may change mode of levying tithes and taxes.

9. General Council elects a committee of four yearly from among its members.

10. This committee superintends execution of decisions and shows the vilayet what to do; draws up measures, appoints engineers, and summons the extraordinary General Council, and attends to urgent business when the Council is not sitting.

11. Lands to which the title has lapsed and Miri land in the vilayet are to be handed over to the General Council, which may sell what is required or build, and may distribute vacant lands among the tribes.

12. All Moslem vakf property to be handed over to the Council of the sect to which it belongs, and to be administered by a suitable committee elected for a fixed period according to the will of the founder. Any surplus to be devoted to education.

13. Central Government may appoint Vali direct. He must be a native of Irak, fully acquainted with conditions and habits of local tribes. May also nominate defterdar, cadi, mutessarifs, mudirs of customs, posts, and telegraphs after consulting General Council through the Vali. Both Vali and these officials must have thorough knowledge of Arabic. All other officials must know local language, and are appointed by Vali after examination and decision of General Council or its committee. Appointments are notified to Constantinople, and are confirmed *ipso facto* if no iradé is issued within forty days of notification.

14. Vali may suspend an official in first instance, but he must refer matter immediately to General Council. If the complaint is found unjust, the official is reinstated; but if there are grounds for prosecution, the papers are handed over to the Courts.

15. The appointment and dismissal of officials in the vilayet is subject to the special law on the subject, but the Vali may be dismissed by a majority of two-thirds of all the members of the General Council.

16. Revenue is of two kinds. Customs receipts, posts, telegraphs, and military exemption tax appertain to the Central Government entirely. The rest belongs to the vilayet and is to be spent in it.

17. Establishment of "juges de paix."

18. Arabic to be the official language in all departments and Courts.

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19. Civil and Criminal Codes to be framed as far as possible in accordance with precepts of Sheri' law.

20. Establishment of Courts of Cassation for civil and criminal matters in the vilayet. Judgments of Sheri' Courts to be referred to Sheikh-el-Islam.

21. Suitable persons knowing Arabic and local customs to inspect Courts of law and civil offices.

22. Army recruits to serve in their vilayets in peace time, but may be sent anywhere else in time of war.

23. Officers knowing Arabic to be employed in their own vilayets to avoid misunderstandings between the people and the army.

24. All arts and sciences to be taught in Arabic in the schools, with due regard to the Turkish language and religious instruction.

25. Agriculturists to be exempted from military service for twenty years and house-builders for thirty years from present time.

26. General Council to draw up regulations to serve as a guide in all Government departments and law Courts with a view to simplifying official correspondence and facilitating and reducing it.

27. Prevention of prostitution among Moslem women.

[45368]

No. 14.

Mr. Marling to Sir Edward Grey.—(Received October 6.)

(No. 819.)

Constantinople, September 25, 1913.

Sir,

WITH reference to my immediately preceding despatch of to-day's date, I have the honour to transmit copy of a despatch from Mr. Consul Crow, No. 52 of the 30th August, enclosing a translation of the principal points in a proclamation in Arabic issued by Seyyid Talib of Basra.

The proclamation is meant to be a sort of indictment of the Committee of Union and Progress, with which organisation Seyyid Talib at one time co-operated. Disliking its methods, he ceased his connection with it, and finally became one of its bitterest opponents. The recent attempt to assassinate him was locally believed to be the work of the Central Committee of Union and Progress, a fact which may partly account for the bitterness of tone of the proclamation. The opinions expressed in it would seem to reflect those held in the Arab and many other provinces, and may become the seed of unrest in Irak, if not in the Ottoman Arab world generally.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 14.

Consul Crow to Mr. Marling.

(No. 52.)

Basra, August 30, 1913.

Sir,

I HAVE the honour to transmit copy of a proclamation which has been recently distributed by the Basra Reform Committee, headed by Seyyed Talib Bey, among the troops and Arab tribes of Mesopotamia. The phraseology of the document is somewhat wordy and grandiloquent, but its tone is distinctly seditious, and it will not improbably get its authors into trouble if the Central Government attach importance to verbiage of this kind. It incites the army and the Arabs against the present Cabinet, accusing the latter of threatening to dethrone the Sultan, and of having compassed the murder of members of the Opposition; it announces the formation of clubs and committees in various Arab centres, the object of which is to check further misrule and achieve the autonomy of Mesopotamia. It concludes by exhorting the Arabs and the troops to rebel if the demand is not conceded, and to declare the present Government *hors la loi* and unworthy of obedience.

I am informed that the proclamation has been well received in the quarters to which it was addressed, and that many replies and solemn asservations have been returned to the effect that the recipients of the notice are prepared to fight and even sacrifice their lives for the object in view. Owing to the length and diffuseness of the document I do not attach a translation, but its contents and salient points are summarized below.

The notice, which is in the form of a manifesto, bears the stamp of the head office of the National Reform Committee, and is addressed to the army and the Arab nation. It begins by eulogising the services of the troops in the defence of their country, their religion and the Caliphate, and thanks them for the burden they have undertaken and the privations they have endured. An appeal to the Arab nation follows, praising God for their good qualities and stating that they are a specially chosen people, from amongst whom God first selected the family of the Koreish and then the prophet Mohammed himself for the foundation and propagation of Islam. As a historic nation they are now urged not to disgrace their antecedents. Their ancestors fought and overcame the unbelievers and subdued their Emperors; they drove the people of the west from their lands and occupied their cities; God gave the country of the infidels as an inheritance to the followers of Mohammed. It would indeed be strange if the descendants of this virile race were appealed to in vain, or if they let their rights be trampled on, their country sold, their religion despised, and their honour insulted, and themselves be enslaved without raising a finger to prevent it. Yet cry after cry has gone out to them, and appeal has followed appeal with no result, and it would almost appear as if they did not realise what was happening. Their memories were chilled or their ears deaf, or perhaps their courage had slackened, their swords were blunt, or their spear-heads broken. If they lost their courage and lulled themselves to sleep in the lap of luxury, or preferred life to honour, they would soon have a rude awakening. They were well aware of the evil results brought about by the "recreant band" (meaning the present Cabinet and Committee of Union and Progress), who had destroyed them and sold their country; who had laid impious hands on the reins of Government and deprived the Ottoman Caliphate of its authority; who had mismanaged the affairs of State and now even threatened to dethrone the Sultan and kill him; who had hanged innocent men of whom they were afraid because they were a stumbling block in their path, and had banished others by hundreds. Such were the miscreants who had sold independence to Bulgaria, Bosnia, and Herzegovina; who had plundered Yildiz and stolen the Sultan's jewels and millions of his pounds; who had plundered the country right and left and plunged it into debt and crippled it with foreign loans; who had put up the State lands to auction and sent their brokers round the capitals of Europe for that purpose. It was they who had encouraged the Zionist movement and who proposed to sell Palestine to the Jews in order to create an independent people there. Hakki Bey Babanzade, one of their leaders and former Member for Bagdad, had suggested martial law for Irak and the slaughter of all the Arab chiefs, and wanted to sell the wealth of the holy shrines at Kerbela and Nejef in order to divide the spoils with his confederates. The result of this would have been civil war in Irak, which is almost a Shia country. The present catastrophe is the work of these same miscreants, who have been the cause of the destruction of the Ottoman army in the Balkan war and the loss of Roumelia. Nazim Pasha, whom they thwarted in every way, fell a victim to their intrigues. The rights of Moslems have been trampled on and their honour defiled. These men are not Mohammedans, God forbid; they are rather unbelievers who have tricked Islam to destruction and torn it up by the roots; who have seized the property of the State and propose to sell it *en bloc* to the foreigner. What will you do with this impious band—traitors to their country, their people, and their religion? Alas for Islam, for our country, and our faith! I ask you, army and Arab nation, in the name of Islam, which you are pledged to defend, in the name of your honour and dignity as Arabs. These men who govern us are without race, family, or antecedents—unknown as yet in the East or in the annals of our faith, a mere band of debauched reprobates and the meanest of thieves. These are the men who want to make Turks of us and suppress our language. Ahmed Reza Bey, their President, once expressed the view that the Ottoman nation could not advance on a par with other nations because it was held back by its religion! Such a man would even cast off the bonds of Islam. Army, Arabs, Moslems! Will you permit these impious creatures to turn your Caliphate into an empire, to make you observe Sunday instead of Friday, and adopt European time; will you let them efface the landmarks of your religion and mock at your faith? Rouse yourselves rather, and be attentive. You cannot disregard or close your eyes to the acts of this infidel crowd of debauchees, who have made God's wealth their own and enslaved his faithful servants; who have laid hands on the property of the State and plundered the people; who have stripped the Caliphate of its authority and corrupted the nation. The chiefs of the Arabs, men of experience and well practised in affairs, having observed these things and the ruin which has resulted from leaving the power in the hands of the present Government, have formed societies and committees of Christians and Mohammedans at Basra, Aleppo, Beirout,

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and in Syria, and these are pledged to devote their lives and money to the preservation of Mesopotamia (Jezirat el Arab), for which they demand independent government according to the programme already published. The Arabs insist on this demand. If conceded, they will be loyal obedient subjects; but, if refused, they will rise in arms against the present Government and overthrow it, and declare it an unlawful instrument.

The document closes with a statement that the Arabs are united in their demands, and the troops are with them in other parts of Turkey, and that independent Government is the sole salvation for Mesopotamia and the Arabs.

I have, &c.
F. E. CROW.

[45492] No. 15.

Admiralty to Foreign Office.—(Received October 6.)

(Confidential.)
Sir, *Admiralty, October 4, 1913.*

I AM commanded by my Lords Commissioners of the Admiralty to refer to your letter of the 20th August last, and to request that you will inform the Secretary of State for Foreign Affairs that they concur in his suggestion that an option should be secured in favour of a nominee of His Majesty's Government over the oilfields in the territory of the Sheikh of Koweit.

2. It is expected that Rear-Admiral Slade's Commission, which is now proceeding to the Persian Gulf, will be able to visit both Koweit and Bahrein, where oil is also reported, and my Lords would propose, if Sir Edward Grey sees no objection, that similar action should be taken in each case, and that the concessions should be sought by the Political Resident in the Persian Gulf when Admiral Slade has had an opportunity of conferring with him after seeing the oilfields in question.

3. My Lords have no information respecting the working of petroleum deposits in the Farsan Islands or Syria other than that contained in recent correspondence with the Foreign Office, but I am to transmit herewith an extract from Sir Boverton Redwood's "Treatise on Petroleum" relating to Syria.

I am, &c.
W. GRAHAM GREENE.

Enclosure in No. 15.

Extract from Sir Boverton Redwood's "Treatise on Petroleum." Vol. I, page 134.

Syria.—The asphalt of the western shore of the Dead Sea has been known from time immemorial, having been extensively exported to Egypt for embalming. The word "mummy" is, in fact, derived from the Coptic "mum," bitumen. The "slime pits of the Vale of Siddim," so fatal to the warriors entrapped by their adhesive contents, were fed by oozings from soft cretaceous limestones, sometimes dolomitic, sometimes gypseous, and always charged with chloride of sodium and other salts. These extend from the southern end of the Dead Sea throughout the Jordan Valley to Lebanon. The chief localities are Wadi Mahawat, Wadi Sebbeh, and Nebi Musa on the Dead Sea, Hasbeya on the Upper Jordan, Salmair and Ain-et-Fineh on the Nahr Litany, and another Ain-et-Fineh, near Maghuda, some 28 miles north-eastward of Damascus. Sulphuretted hydrocarbon gases are discharged at many points on the line. The regions eastward of the northern end of the Dead Sea and of the southern end of the Lake of Tiberias consist in part of similar rock. On the Jebel-el-Duhr, between the Jordan and the Litany, the cretaceous sandstones also yield bitumen, and oil shale, suitable for distillation, occurs in the same series at Zehalta, Haidura, Djezzin, in the Machada plain.

Large deposits of asphalt are reported to occur near Latakia, in the villages of Kferie, Cassab, Ghomar Chmeisse, Khorbe, and Souhs. Both Antioch and Aleppo have been credited with producing bitumen, possibly from a single site. Petroleum is known to exist at Alexandretta.

[42837] No. 16.

Sir E. Crowe to Sir H. Babington Smith.

(Confidential.)
Dear Sir Henry, *Foreign Office, October 6, 1913.*

THE French Chargé d'Affaires called at this Office on the 17th September and communicated to me, for Sir E. Grey's information, copy of an "Accord sur les chemins de fer et entreprises de travaux publics en Turquie d'Asie," initialled at Paris on the 11th September, between M. Pichon and Djavid Bey.

I think it right to communicate to you, in confidence, article 6 of this agreement, which is as follows:—

"Article 6. Dans le cas où la Banque nationale de Turquie renoncerait à son droit et qu'aucune autre banque ne serait subrogée aux droits et obligations de ladite banque, le Gouvernement Impérial ottoman accepte, en principe, d'accorder au groupe français la construction et l'exploitation des ports de Samsoun et de Trébizonde aux conditions arrêtées entre le Gouvernement ottoman et ledit groupe."

I am, &c.
EYRE A. CROWE.

[45694] No. 17.

India Office to Foreign Office.—(Received October 7.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of a telegram from the Viceroy, dated the 7th October, 1913, regarding Muscat.

India Office, October 7, 1913.

Enclosure in No. 17.

Government of India to the Marquess of Crewe.

(Telegraphic.) *October 7, 1913.*

OUR telegram dated 3rd October.

We regret to report death of Sultan of Muscat on 4th October. Cox has left for Muscat.

[45720] No. 18.

Mr. Marling to Sir Edward Grey.—(Received October 7.)

(No. 498.)
(Telegraphic.) *Constantinople, October 7, 1913.*

MY immediately preceding telegram of 7th October.

Mr. Graves informs me that a German and an Austrian delegate are to be added to Commission of Financial Reforms. I hear that there is also question of appointing German in Customs Administration.

[44684] No. 19.

Foreign Office to India Office.

Sir, *Foreign Office, October 7, 1913.*

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 29th September, and to inform you that Sir E. Grey concurs in the terms of the telegram which the Marquess of Crewe proposes to address to the Government of India respecting oil deposits in Koweit.

I am, &c.
EYRE A. CROWE.

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[45803] No. 20.

Mr. Marling to Sir Edward Grey.—(Received October 8.)

(No. 497.)
(Telegraphic.) R. *Constantinople, October 7, 1913.*

ARMENIAN reforms.

The Minister of the Interior made the following communication to Sir R. Crawford and Mr. Graves yesterday afternoon.

The Ottoman Government offer these gentlemen appointment on five years' contract as inspectors-general of the two secteurs of North-Eastern Anatolia with powers similar to those of Hilmi in Macedonia (see "articles additionnels" enclosed in the Porte's *note verbale* of 1st July sent in my despatch No. 580 of 3rd July).

Sir R. Crawford demurred to his appointment on the grounds of his slight acquaintance with the language and administrative questions of the provinces concerned, and of his desire to complete his work of finance and customs reorganisation.

Mr. Graves said that he foresaw serious objections to his acceptance. Besides the inherent difficulties of the task, no one could ignore certain international jealousies and suspicions that would be aroused. The Minister of the Interior should remember that he was a British official temporarily seconded for employment in a non-political financial post, and it would be impossible for him to undertake the duties in question without the approval and encouragement of His Majesty's Government and assurance that his future prospects and claim to pension were not endangered.

The Minister requested Mr. Graves to ask authorisation of His Majesty's Government to accept, adding that, as Sir R. Crawford declined, it would be possible that one secteur would suffice, Sivas being excluded as less in need of special treatment.

Mr. Graves was also informed that, in the event of his acceptance, the Porte desired His Majesty's Government to nominate desired British official to succeed him on Financial Commission. (End of R.)

(Very Confidential.)

Graves informs me that he gathered from the Minister of the Interior that these appointments had been suggested by the German Ambassador. The German Ambassador has not consulted me before suggesting these appointments to the Porte.

It is to be noted that the powers to be given to Graves are less than those set forth in my telegram No. 486 of 26th September.

It might be well that I should inform the Russian Ambassador of the foregoing.

[45492] No. 21.

Foreign Office to India Office.

Sir, *Foreign Office, October 8, 1913.*

WITH reference to your letter of the 15th September, and to subsequent correspondence, I am directed by Secretary Sir E. Grey to transmit to you, herewith, copy of a letter from the Admiralty respecting oil-fields in Koweit, Bahrein, the Farsan islands, and Syria.* You will observe that the Admiralty also concur in the proposal that an option should be secured in favour of a nominee of His Majesty's Government over the oil-fields in the territory of the Sheikh of Koweit.

As regards the second paragraph of the Admiralty letter, proposing that Rear-Admiral Slade's commission, should visit Koweit and Bahrein, and that concessions should be sought by the Political Resident when Admiral Slade has had an opportunity of conferring with him after seeing the oil-fields in question, Sir E. Grey is disposed to concur, and would propose so to inform the Admiralty, if the Marquess of Crewe agrees. Further action in this matter could then be deferred until Admiral Slade's arrival in the Persian Gulf.

As regards the third paragraph of the Admiralty letter, your Department is already aware that satisfactory assurances have been received from the Farsan Oil-fields Company and the Syrian Exploration Company.

I am, &c.
EYRE A. CROWE.

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* No. 15.

[45926] No. 22.

Lord Inchcape to Sir E. Crowe.—(Received October 9.)

My dear Sir Eyre, 9, *Throgmorton Avenue, London, October 8, 1913.*

I HAD a meeting to-day with Mr. Lynch and Mr. Slaughter, at which my solicitor, Sir Henry Johnson, was present. Mr. Lynch was anxious to see the concession, but I told him I would be quite prepared to answer any questions he had to make in regard to it, but I would rather not show it to him until we had come to an agreement in regard to the management firm. Mr. Lynch made various enquiries about the concession, and seemed to be satisfied that it was a good thing, but he was particular on one point, and that was as to whether the Turkish Government were to get any royalty on the earnings of the Navigation Company independent of their dividend on the shares. I told him there was no provision for this, and he said that he thought the Turkish Parliament would insist upon payment of a royalty, and that if we succeeded in getting the concession ratified without a stipulation of this kind we should be extremely lucky. It passed through my mind that Mr. Lynch might endeavour through his myrmidons in Constantinople to try and block the concession on this point, and after the interview Sir Henry Johnson told me the same thing had occurred to him.

Mr. Lynch asked if the concession provided for compensation in event of the water being taken away for irrigation purposes and navigation being made impossible. I said it did not; but that if the Turks by their action spoilt the river we should undoubtedly have a claim for damages, and that question must be left to the future. He further raised some rather irrelevant questions as to the Bagdad Railway Concession being altered to protect the Navigation Company against higher rates being charged on the railway for river-borne than for rail-borne traffic, but I said it was impossible for us to get the Bagdad Railway Concession altered. He also raised the point of the German participation in the Navigation Company, but I told him nothing had been settled in regard to that, and it was a matter for the Foreign Office.

In regard to the management company, I said that it was a *sine qua non* that this company should have the management of the Société des Transports fluviaux as well as the Euphrates and Tigris and the new Turkish company. Mr. Lynch jibbed at this, desiring to keep it outside the management company, but I told him emphatically that that would be impossible. He said that this was altogether a new idea, but Mr. Slaughter came to the rescue here, and pointed out to Mr. Lynch that he had mentioned the matter to him as having been put forward at our meeting at the Foreign Office on the 9th September. I had in view the postscript to Mr. Parker's letter to Mr. Slaughter of the 2nd September, 1913, but I did not quote the letter, as I was not sure whether it had been communicated by Mr. Slaughter to Mr. Lynch.

One rather important point came out. When I told Mr. Lynch I must participate in the Société des Eaux fluviales management he said it was not worth troubling about, as that company merely had the conveyance of railway material upwards and could carry nothing down. This is scarcely in accord with his previous assertion, that it was always understood that this Belgian company was to be permitted to carry cargo down as well as railway material up. He evidently means to drop this claim now, or, at any rate, he puts forward the disability regarding downward cargo with a view of keeping the management of the Belgian company to himself.

I stipulated that as Mr. Lynch was to have a seat on the board of the new Turkish company it would be necessary for me to have a seat on the board of the Euphrates and Tigris Steam Navigation Company, and to this he made no demur. I further stipulated that in the new management company I should have the controlling voice. To this Mr. Lynch raised objection, but I think the difficulty may be overcome, and I rather gathered that if we stand firm enough he will agree to bring the Fluviaux company under the management company also.

He pressed very hard to see the concession, but I told him that I was not prepared to show this until we had come to an agreement in regard to the management company, and if, after we had made that agreement, he thought the concession was not good enough for him to have anything to do with, he would be at liberty to withdraw from the proposed management company.

I gave him to understand that, so far as I was personally concerned, it would suit me better to have the management of the new Turkish company in my own hands, as it had potentialities for development which the Euphrates and Tigris company had not, but that I was quite willing to throw my lot in with him and to work with him in a friendly and amicable way.

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He spoke of his interest in the new Turkish company, and I said that I proposed to let him have 30 per cent. of the holding which falls to me, and I rather think with this he will be satisfied.

He is to think my proposals over and to communicate with me in a few days. I hope in the meantime Hakki will ratify the concession, as I am sure Lynch would still wreck it if he could.

Yours sincerely,
INCHCAPE.

[45685] No. 23.

Sir Edward Grey to Sir F. Bertie.

(No. 610.)

Sir, *Foreign Office, October 9, 1913.*

THE French Ambassador called here on the 3rd instant and handed to Sir Arthur Nicolson the accompanying statement made by the Russian Ambassador at Paris in regard to Armenian reforms.

Sir A. Nicolson told M. Cambon that he did not think that I would raise any objection to the Russian and German Ambassadors at Constantinople approaching the Porte on the subject, and M. Cambon replied that the French Government were willing that their Excellencies should do so.

I am, &c.
E. GREY.

Enclosure in No. 23.

Statement communicated by M. Cambon, October 3, 1913.

Si les articles sont approuvés par tous les Cabinets, les Ambassadeurs de Russie et d'Allemagne à Constantinople s'efforceront d'amener la Sublime Porte à proposer aux Puissances la nomination de deux inspecteurs. En réponse à cette proposition, les Puissances définiront les pouvoirs des inspecteurs et les autres mesures prévues par les six articles.

Paris, le 2 octobre, 1913.

[45926] No. 24.

Sir E. Crowe to Lord Inchcape.

Dear Lord Inchcape, *Foreign Office, October 9, 1913.*

I AM much obliged for your letter of yesterday. I quite understand and sympathise with your attitude of caution in dealing with Mr. Lynch. On the whole, it seems to me that your first meeting with him was not unsatisfactory.

I have written once more to Hakky Pasha to urge the immediate signature of the concession, and trust this will be forthcoming. Meanwhile, I rather doubt whether Mr. Lynch will have the power to upset the arrangement at this the eleventh hour.

As soon as I hear from Hakky Pasha I will let you know.

I am, &c.
EYRE A. CROWE.

[46103] No. 25.

Lord Inchcape to Sir E. Crowe.—(Received October 10.)

9, Throgmorton Avenue, London,
My dear Sir Eyre, *October 9, 1913.*

I HAVE to thank you for your letter of the 4th instant, with copies of correspondence with Mr. Slaughter and copy of your letter of the 4th instant to the Board of Trade.

As regards point (1) in Mr. Slaughter's letter, I informed Mr. Lynch at our

meeting yesterday what the concession provided for in this connection, and he had no exception to take to it.

In regard to (2), Mr. Lynch raised this point with me, and I told him that I was not afraid of any discrimination being made by the Bagdad Railway Company against river-borne traffic offered for conveyance to the railway, as I understood the Bagdad Railway Convention provided against discrimination.

As regards (3), I said that the concession precluded the Société des Transports fluviaux from carrying cargo downwards.

It appears to me that Mr. Lynch, in dictating Mr. Slaughter's letter of the 25th September, had in view the raising of difficulties more than anything else, and that his object was simply to worry.

Yours sincerely,
INCHCAPE.

[46093] No. 26.

India Office to Foreign Office.—(Received October 10.)

Sir, *India Office, October 9, 1913.*

WITH reference to your letter of the 30th September, 1913, as to the Abu Musa oxide question, I am directed to inform you that the Marquess of Crewe concurs generally in the views expressed by the Secretary of State for Foreign Affairs regarding Messrs. Wönckhaus's claims to compensation, and that he agrees to the proposal to submit the figures supplied by the firm to the examination of the Board of Trade and to solicit the advice of that Department as to the tribunal to which the fixation of the amount of compensation due should be referred.

I am, &c.
LIONEL ABRAHAMS.

[46116] No. 27.

Board of Trade to Foreign Office.—(Received October 10.)

(Confidential.)

Sir, *Board of Trade, October 9, 1913.*

I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 4th October transmitting copy of correspondence relative to the navigation of the Euphrates and Tigris Rivers, and to offer the following observations thereon:—

The Board concur in what they understand to be Sir E. Grey's opinion, that it would be inadvisable to communicate to Mr. Lynch the full terms of Lord Inchcape's concession until it has been finally signed on behalf of the Ottoman Government. At the same time, they recognise that Mr. Lynch cannot be expected to discuss arrangements for the formation of a company for the management of the Euphrates and Tigris Company and Lord Inchcape's undertaking unless he is fully acquainted with the conditions under which the latter undertaking is to be carried on. In these circumstances, the Board can only suggest, for Sir E. Grey's consideration, that every effort should be made to secure the signature of the concession at the earliest possible date.

As regards the first of the three points to which special reference is made in your letter under reply, I am to state that the Board are in some doubt as to the meaning of the phrase "upkeep of the waterways" used in Mr. Lynch's letter of the 22nd September to Mr. Slaughter. If it refers solely to measures for the conservancy of the river above Basra, sufficient provision in this respect would appear to be made by articles 1 (c) and 10 of the draft concession; if, however, it refers to the maintenance of a navigable waterway, unafflicted by future irrigation works (a question which played an important part in previous negotiations for a combination of the river services), the Board are not aware of any safeguard other than the financial interest which the Ottoman Government will have in the new navigation company.

The question of facilities on the railways beyond Baghdad for water-borne traffic is, in the opinion of the Board, sufficiently dealt with by articles 1 and 2 of the Anglo-Turkish Convention regarding railways in Asiatic Turkey and clause (*b*) of article 2 of the draft Anglo-German Agreement. Those provisions are in wide terms, and would

appear to furnish adequate ground for intervention in the event of any discrimination against water-borne traffic, such as Mr. Lynch appears to contemplate.

Finally, as regards the carriage of downward freight by the vessels of the Société de Transports fluviaux, the Board have nothing to add to their letter of the 2nd September, and they concur in the course which, as indicated in your letter under reply, Sir E. Grey proposes to take in this matter. At the same time, I am to point out that the fact that it is thought undesirable to give a definite answer on the point is a further reason why His Majesty's Government should press for the signature of the the concession at an early date.

I am, &c.
GEO. J. STANLEY.

[46537] No. 28.

Mr. Marling to Sir Edward Grey.—(Received October 13.)

(No. 846.)

Sir, *Constantinople, October 8, 1913.*

REFERRING to my despatches Nos. 765 and 785 of the 2nd and 10th September respectively concerning British pecuniary claims against the Turkish Government, I have the honour now to enclose a supplementary list of claims which have come to my notice since the latter date, together with a memorandum giving a brief account of each. The present return is based mainly on consular reports elicited by a circular telegram issued by me on the 24th August. Owing to the shortness of the time available and for other reasons it did not seem advisable to instruct consular officers to invite British subjects to come forward with claims, but merely to report any claims arising out of the state of war which might have come to their notice. It is still possible, therefore, that further claims arising out of the state of war might be put forward if there were any question of dealing comprehensively with all such claims. As regards claims not connected with the war, I have already pointed out that there are doubtless a number which have not come to the notice of this embassy.

I have included in the present supplementary list the case of the Greek steamship "Manoussis," which was seized at the Dardanelles on the 4th October last, and in which certain British subjects claimed to have a large interest. This is the only specific case arising out of the embargo on Greek shipping just before the war, which was made the subject of representations to the Porte at the time (see Foreign Office despatch No. 54, Treaty, of the 29th October, 1912), but you will recollect, Sir, that we joined the other Powers in urgent representations on the subject of the embargo, and reserved all rights in regard to its effect upon British interests. It was stated in your telegram No. 735 of the 7th October, 1912, on which were based the earliest representations on the subject made by this embassy to the Porte and in various other papers, that underwriters at Lloyd's were considerably interested in the cargoes of the ships detained. There were, moreover, certain other cases in which British subjects were more directly interested in the ships and their cargoes. I am not, however, aware what, if any, specific claims might now be advanced in pursuance of the reserves formulated at that time. I understand that the German Embassy here, whose nationals were largely interested in the cargoes of the detained ships, is now considering what action can be taken to recover damages for loss incurred by them.

I should also add that owing to the absence on leave of Major Sampson, the circular telegram referred to above was not sent to His Majesty's consulate at Adrianople. It is possible, therefore, that claims of which I had no knowledge may have arisen in that district owing to the state of war. I have not yet been able to complete my enquiries in connection with the only claim in the Adrianople district which has come to my notice, viz., that of Mr. Gallia, reported in my despatch No. 785 of the 10th September last.

I have, &c.
CHARLES M. MARLING.

Enclosure 1 in No. 28.

Supplementary List of British Pecuniary Claims other than those enumerated in Embassy Despatches No. 765 of September 2, and No. 785 of September 10, 1913.

Name of Claim and Reference No.	Approximate Value in Sterling.	Remarks.
(A.)—Claims for Value of British Property bought or requisitioned in connection with the War, and not paid for.		
1. Horses requisitioned at Constantinople	£ s. d. 450 0 0	Amount of official valuation. Owners claim more.
2. Whittall's wheat at Dardanelles ...	500 0 0	
3. J. W. Whittall and Co.'s barley at Rodosto	Not stated; say £250.	
4. C. Whittall and Co.'s barley at Dardanelles and Gallí	500 0 0	See memorandum as regards firm's further claim.
5. Sumani of Pandermo	1,250 0 0	Not properly a British claim. See memorandum.
6. Antonio Zarb's motor accessories at Monastir	23 10 0	
7. Paterson's barley and oats	19,470 0 0	See memorandum as to date of requisitioned.
8. J. Fisher's wheat and barley at Aidin ...	117 13 0	
9. A. Smith's flour at Pergamos ...	6 1 0	
10. Horses requisitioned in Smyrna district	198 0 0	See memorandum.
11. Khedivial Steamship Company's mules requisitioned at Damascus	Not stated	Probably return by now. See memorandum.
(B.)—Miscellaneous other Claims arising in connection with the State of War.		
12. Calveri's farm at Dardanelles ...	100 0 0	Possibly more. See memorandum.
13. British and Foreign Bible Society's books at Smyrna	10 0 0	
14. Antonio Zarb's deposit in Turkish Court at Monastir	27 5 5	
15. Avram Juda's agricultural machinery at Monastir	Not stated	See memorandum as to which Government is to be held liable.
16. Caviass at Gekub	5 0 0	
17. Greek steamship "Manoussis," Seized at Dardanelles	Not stated	See covering despatch as regards other possible claims arising out of embargo on Greek ships.
(C.)—Miscellaneous Claims not connected with State of War.		
18. P. Psaras, Aidin	2 0 0	Probably a frivolous claim. See memorandum.
19. Warren Brothers' telephone contracts ...	316 6 0	See memorandum.
20. Vice-Consul Marc, Samos	80 0 0	" "

Enclosure 2 in No. 28.

Memorandum on British Pecuniary Claims, mostly arising out of the recent War, enumerated in the accompanying Supplementary List.

1. *Horses requisitioned at Constantinople.*—Various British subjects have had horses requisitioned. The outstanding cases known to His Majesty's consulate-general on the 29th September, 1913, related to nine horses belonging to various owners, who hold official acknowledgments of indebtedness to the amount of 16,900 piastres. In most, if not all, cases the owners value the animals at from 20 to 50 per cent. more

than the official valuation. It is probable that there have been further cases the particulars of which are not known to His Majesty's consulate-general. The present return does not include the Economic Co-operative Society's horses mentioned in the list enclosed with embassy despatch No. 765 of the 2nd September, 1913.

2. *Whittall's Wheat at Dardanelles.*—The embassy has no details of this claim beyond those contained in the following extract from a telegram addressed by His Majesty's vice-consul at the Dardanelles to His Majesty's consulate-general at Constantinople: "Whittall claims 600*l.* for wheat forcibly seized for army. After long and fruitless negotiations, advance on Adrianople ended all hope of settling amicably." Steps are being taken to obtain further particulars.

3. *J. W. Whittall and Co.'s Barley at Rodosto.*—This is a claim for the price of two lots of barley supplied to the Turkish authorities at Rodosto on the 10th November, 1912, and immediately before the Bulgarian occupation, respectively under a contract made with the Ministry of War in September of that year. The contractors can only produce the provisional receipts given at the time of delivery. The Ministry asks them to obtain definitive receipts from the military authorities directly concerned, which, under the circumstances, is, according to Messrs. Whittall and Co., impossible.

4. *C. Whittall and Co.'s Barley at Dardanelles and Gelibi.*—This claim arises out of the failure of the Turkish authorities to take delivery of or to pay for stocks of barley in Messrs. Whittall's stores in those places. The firm had large stocks in store last October, when the exportation of barley was prohibited. As the prohibition was maintained, and the barley had begun to deteriorate, the firm at last, in May, 1913, entered into a contract to sell the stocks to the Government, delivery to be taken within fifteen days, and payment to be made in bonds at six months date. The Government has so far taken delivery of only about two-thirds of the barley, and have failed to deliver the bonds. Messrs. Whittall and Co. claim 500*l.* for losses of various kinds arising out of the Government's failure to take delivery up to the 22nd September, 1913. This claim will increase with further delay. The firm also claim 1,600*l.* for the loss of market, interest, &c., from the date of the prohibition to export up to that of the contract.

5. *Summa, at Panderma.*—Mr. Summa, British vice-consul at Panderma, claims £T. 1334·73, damages arising out of the Turkish Government's failure to carry out the terms of a contract made in March 1913 for the supply of cereals to them and £T. 40·13 for straw and hay requisitioned by the authorities. As Mr. Summa is an Austrian subject, and was acting in a purely mercantile capacity, he has been informed that he must look to the Austrian authorities for protection. The claim is therefore only mentioned here by way of precaution.

6. *Antonio Zarb, Motor Accessories at Monastir.* This is a claim for 2587 piastres gold for motor accessories supplied to the Turkish military authorities at Monastir on the 6th November, 1912.

7. *Paterson's Barley and Oats.*—This a claim for £T. 21,417·03 being the price of a large quantity of barley and oats supplied early in the present year to the military authorities at Smyrna by Messrs. Paterson and Company, under an agreement the final form of which provided for payment by instalments to begin one month after the cessation of hostilities. Messrs. Paterson contend that hostilities came to an end some time ago, but the Porte has declared that the month runs from the date of the conclusion of a definitive treaty of peace.

8. *J. Fisher's Wheat and Barley.*—Mr. Fisher of Aidin claims £T. 129·42 for wheat and barley requisitioned in March 1913 against a receipt stating the value.

9. *A. Smith's Flour at Pergamos.*—This is a claim for 866 piastres for six sacks of flour seized by soldiers at a village near Pergamos. A receipt was given by a subordinate officer, but is being disputed by the military authorities.

10. *Horses Requisitioned in Smyrna District.*—Various British subjects have had horses requisitioned. The outstanding cases known to His Britannic Majesty's consulate-general up to the 18th September, 1913, related to eleven horses valued at £T. 217·63. Receipts were not given in all cases. In one case the authorities dispute the British ownership. It does not appear whether the values stated in the acting consul-general's report are those estimated by the authorities or those claimed by the British subjects. The present return apparently included the four animals already mentioned in the list enclosed with embassy despatch No. 765 of the 2nd September, 1913.

One British subject, a Mr. Constantinidis, states that he has incurred a "commercial loss" of about £T. 200, owing to the seizure of his two horses and consequent inability to deliver goods. Presumably such a claim would not be entertained. In any case the acting consul-general considers it vastly exaggerated.

11. *Khedivial Steamship Company's Mules requisitioned at Damascus.*—As recently as the 20th September, 1913, His Majesty's consul at Damascus reported that horses were being requisitioned in that place to be forwarded to Constantinople, and that ten mules belonging to the Khedivial Steamship Company had been taken without payment. Two days after this the Damascus authorities were instructed to cease requisitioning, and they began to restore the requisitioned animals on the 23rd September. It is presumed that the Khedivial Steamship Company's mules have been restored to the owners, but no positive news to that effect has reached the embassy.

12. *Calvert's Farm at Dardanelles.*—This arises from damage caused to Mr. Calvert's farm by soldiery. Mr. Calvert estimates the damage at over 100*l.*, and reserves his right to put forward a claim.

13. *British and Foreign Bible Society's Books at Sorovitch.*—The Society's agent at Monastir claims 10*l.* for two boxes of books lost when Sorovitch was destroyed by Turkish troops or irregulars about the 3rd–5th November, 1912.

14. *Antonio Zarb's Deposit in Turkish Court at Monastir.*—This is a claim for £T. 30 deposited on the 11th April, 1912, as bail for Zarb's chauffeur, an Ottoman subject. Although Zarb took no receipt, the president of the Court admitted that the deposit had been made when the vice-consulate applied for a refund of the amount last October after the chauffeur had been acquitted, but said he could not refund it as yet as an appeal had been lodged. This was the position when Monastir passed out of Turkish hands. The Servian authorities had not yet examined the records of the Court when His Majesty's vice-consul approached them on the subject.

15. *Avram Juda's Agricultural Machinery at Monastir.*—This is a claim for the price or part price of certain machines supplied to the Turkish authorities at Monastir, which had not yet been fully paid for when the town passed out of Turkish hands. Juda asked the Servian authorities to return the goods, but this they refused to do. His Majesty's vice-consul regards this as a claim against the Servian Government, and intended at the time of reporting it to submit it to His Majesty's Legation at Belgrade, but it is mentioned here in case it should eventually appear that the Turkish Government is responsible.

16. *Cavass at Uskub.*—This is a claim by Cavass Naim of His Majesty's vice-consulate for piastres 660, value of effects stolen from him. It does not appear from the only report at present available when and by whom the effects were stolen.

17. *Greek Steamship "Mamoussis" seized at Dardanelles.*—This claim arises out of the seizure at the Dardanelles on the 4th October, 1912, of the steamship "Mamoussis" flying the Greek flag, but managed and largely owned by British subjects. The claim was stated in a letter from Messrs. Galbraith, Pembroke, and Co. to the Foreign Office, dated the 22nd October, 1912. This letter was forwarded to the embassy in Foreign Office despatch No. 54, Treaty, of the 29th October, 1912, with instructions to inform the Porte that His Majesty's Government reserved all rights in regard to advancing claims for losses entailed on British subjects through the seizure of the ship. The embassy wrote in this sense to the Porte on the 6th November, 1912. No reply has been received.

18. *P. Psarus, of Aidin.*—This is a petty claim for damage done by soldiers in the claimant's house at Aidin two years ago. The acting British consul-general of Smyrna considers the claim "somewhat frivolous." It does not appear from his report what the circumstances were.

19. *Warren Brothers' Telephone Contract at Smyrna.*—The nature of this claim is not clear from the only report at present available. Steps are being taken to ascertain further particulars.

20. *Vice-Consul Mare, Samos.*—Mr. Mare claims £T. 88 for thefts from and damage done to his house by Turkish soldiers on the 26th September, 1912. The details of this case are not known to His Majesty's embassy. Steps are being taken to ascertain further particulars.

[46616] No. 29.

India Office to Foreign Office.—(Received October 13.)

Sir, *India Office, October* 11, 1913.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letters of the 7th and 8th instant respectively regarding oil deposits in Koweit, and to say that he concurs in the suggestion made in the latter that no application should be made to the Sheikh until Rear-Admiral Slade's Commission have visited Koweit and consulted with Sir P. Cox. The Government of India are being instructed accordingly.

I am, &c.
LIONEL ABRAHAMS.

[46349] No. 30.

Sir Edward Grey to Mr. Marling.

(No. 336.)

Sir, *Foreign Office, October* 13, 1913.

THE Italian Chargé d'Affaires called at this Office on the 7th October and informed Sir E. Crowe that it appeared, from a telegraphic report received by his Government from Constantinople, that Mr. Fitzmaurice did not attach any importance to the British interests involved in the Smyrna–Aidin Railway and in the rights of extension secured to the railway company under their concession. Prince Borghese had no authority to tell me this, but did so in strict confidence, because this seemed to him the only straightforward way of carrying out his instruction, which was to find out how this matter was really regarded in London.

Sir E. Crowe said it seemed to him quite incredible that Mr. Fitzmaurice should have made any such statement as that attributed to him. His Majesty's Government attached the very greatest importance to the maintenance of the rights of the British company. They had made a protest, both at Constantinople and at Rome, as soon as they heard that there was a question of granting to Italy a concession conflicting with those rights, which were indisputable. His Majesty's Government were all the more concerned as they were actually in negotiation with Hakky Pasha for an extension of the British line, in accordance with the terms of the original concession.

Prince Borghese, in thanking Sir E. Crowe for this explanation of the situation, said he had himself considered that there must have been some misunderstanding as to what Mr. Fitzmaurice said.

You should inform Mr. Fitzmaurice, and ask if he has any explanation to offer.

I am, &c.
E. GREY.

[44738] No. 31.

Sir Edward Grey to Mr. Marling.

(No. 339.)

Sir, *Foreign Office, October* 13, 1913.

I TRANSMIT to you herewith copy of a memorandum which has been communicated to Hakki Pasha* respecting British missionary and philanthropic institutions established in the Ottoman dominions, together with copy of a memorandum by Mr. Weakley, setting forth the points on which it is desirable to seek a definite settlement with Turkey.†

This subject formed the second point of the counter-concessions which, you suggested in your telegram No. 411 of the 15th August, should be included in any comprehensive settlement with Turkey, and, in your despatch No. 745 of the 27th August, you added that, as this was a matter in which the privileges granted to any Power can be claimed by all others under most-favoured-nation treatment, it would be natural for the course of any negotiations on the subject to be parallel with those now pending between the French and Turkish Governments.

You should broach this subject to the Porte at the first convenient opportunity.

* No. 33. † No. 1.

I leave it to your discretion to decide whether or not you will keep in touch with the French Embassy on this subject, according as you may think more favourable to British interests.

I am, &c.
E. GREY.

[45492] No. 32.

Foreign Office to Admiralty.

Sir, *Foreign Office, October* 13, 1913.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 4th October respecting oilfields in Koweit, Bahrein, Syria, and the Farsan Islands, and to transmit to you herewith, for the information of the Lords Commissioners of the Admiralty, copy of a letter that has been addressed to the India Office by this Department on the same subject.*

Their Lordships will observe that Sir E. Grey concurs in their proposal that Rear-Admiral Slade's Commission should visit Koweit and Bahrein, and that concessions should be sought by the Political Resident when Admiral Slade has had an opportunity of conferring with him, after seeing the oilfields in question.

On receipt of the reply of the India Office to this communication, a further letter will be addressed to you.

I am, &c.
EYRE A. CROWE.

[44738] No. 33.

Memorandum communicated to Hakki Pasha.

HIS Majesty's Government have not failed to notice a change which has taken place within recent years in the attitude which the Imperial Ottoman Government formerly observed towards British missionary and philanthropic institutions established within the Ottoman dominions, and they have observed with regret that there has been a tendency towards the adoption of a less generous policy in all that regards the privileges which those institutions have been permitted to enjoy under Imperial firmans.

Amongst the instances in which this change has been most marked may be mentioned the fact that applications now made by British missionary societies through the ordinary channels for official authorisation to add to or modify institutions which are in existence, or for the building of new institutions, meet with many difficulties, and the acquiescence of these societies in the payment of taxes on new property and customs dues on imported building material—from which the missionary institutions have so far been exempted under existing laws—has lately been made conditional upon the grant of such official authorisation.

It will be unnecessary to enter into the details of other difficulties, but, in view of the present unsatisfactory position, an early examination of the general question is most desirable in order that a clear understanding may be come to between the Ottoman and British Governments regarding the status and privileges of existing British missionary and philanthropic institutions in Turkey, and arrangements made for the grant of adequate facilities for natural development and expansion.

Sir Edward Grey accordingly desires to take the opportunity afforded by the friendly discussions which have taken place, with so much good effect, with Hakki Pasha in this country, to express the hope that his Highness may impress upon his Government the importance which the British Government attach to the satisfactory solution of this question, and that they may receive an assurance that there is no intention of curtailing the privileges which British institutions have, so far, enjoyed in the Ottoman dominions.

Foreign Office, October 13, 1913.

* No. 21.

[46816] No. 34.

India Office to Foreign Office.—(Received October 14.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of enclosures in a letter from the Foreign Secretary to the Government of India, dated the 18th September, 1913, relative to Aden weekly letter No. 36.

India Office, October 7, 1913.

Enclosure in No. 34.

Political Resident, Aden, to Government of Bombay.

(Extract.) *Aden, September 6, 1913.*

2. *RE* paragraph 3 of the weekly letter of the 23rd August, 1913.

The information about the German negotiations for the purchase of Rahaita was gleaned by Captain Hankin, Assistant Resident, Perim, when he went recently to spend a few days' casual leave in Italian Somaliland, and may be depended upon. We have now heard enough to form an opinion that the rumoured German activity in the southern portion of the Red Sea is not a myth. It is more than a conjecture that the Germans and Italians are working hand in hand, the former to have a port either at Mocha or at Rahaita, on the other side of Mocha, and the latter to establish their influence in Yemen through the Idrisi. I think it very desirable that His Majesty's Government should be informed that if they can get Turkey to agree the Government should obtain possession of Kamaran, which is one of the finest natural harbours in the world. Farsan also is desirable.

3. As hinted in paragraph 2 of the weekly letter of the 2nd August, 1913, the Wazir of the Idrisi came to Aden viâ Massowa, and called on Jacob. He admitted that the Italians had given the Idrisi material assistance in money, arms, ammunition, &c., during the war with the Turks, and stated that even now they were assisting the Idrisi with everything he asked for. He asserted that, so far as he was aware there was no treaty or agreement between the Italians and the Idrisi, and that he could not say whether the Italians had any ulterior motives in assisting the Idrisi. It seemed he was anxious for an expression of our friendship, but did not openly broach the subject. Sheikh Saleh Balaxa, the Aden merchant, however, tried to pave the way for him and give sufficient expression to the Wazir's mind. Balaxa stated that the Idrisi requires the shelter of some European Power; that he prefers ours, but that, baulked here, he will place himself under the protection of the Italians, though he does not like them because he thinks that they left him in the lurch when they patched up their affairs with Turkey. Jacob did not commit himself to any statement, and bid good-bye to Wazir Sheikh Mahomed Yehia Ba Sahir with a formal expression of our friendly feelings for his master.

4. It was gathered from the conversation with the Idrisi's Wazir that the Turks have cut off the Idrisi pretty effectively from the sea, but that they have left the fighting by land to the Imam and Ibn Al Haij; that the Idrisi is not afraid of being overwhelmed by them, especially as the Sherif of Mecca is at present holding aloof and not co-operating against the Idrisi.

[45803] No. 35.

Sir Edward Grey to Mr. Marling.

(No. 477.)
(Telegraphic.) *Foreign Office, October 14, 1913.*

ARMENIA.

Your telegram No. 497 of 7th October.

His Majesty's Government cannot agree to arrangements of this kind being settled between them and the Porte independently at a moment when whole problem of Armenian reforms is under discussion between all the Powers.

Pending definite general understanding respecting reform scheme, British officials cannot therefore be authorised to accept appointments such as those offered to Sir R. Crawford and Mr. Graves.

You should inform Porte accordingly, and may speak in above sense to your Russian colleague and to your German colleague also if you think it desirable.

(Repeated to Berlin, No. 363, and St. Petersburgh, No. 702, for information.)

[46836] No. 36.

Mr. Marling to Sir Edward Grey.—(Received October 15.)

(No. 853.)
Sir, *Constantinople, October 10, 1913.*

WITH reference to my telegram No. 497 of the 7th October reporting the action of the Minister of the Interior in offering the post of Inspector-General of the Eastern Anatolian provinces to Mr. R. Graves, I have the honour to report that the situation in those provinces does not appear to have much improved during the recent months, although the local authorities, and particularly the Valis of Van and Bitlis, have displayed a certain activity in their attempts to suppress Kurdish brigandage and exactions against the Armenian element.

Though no serious incidents, judging by local standards, have occurred, the Patriarchate has been receiving a stream of complaints concerning murders, usurpation of Armenian property, &c., and reports from the Kharput and other districts show that the Armenians, rendered hopeless of seeing law and order established, are emigrating in large numbers. Mr. Acting Vice-Consul Harris, just returned from the Diarbekir and Kharput regions, states that quite half the Armenian houses in the latter town are empty and shut up, their owners having left the country. The Armenian patriarch, Mgr. Archarouni, resigned on several occasions, owing to his inability to secure redress for the grievances of his community, and, after the massacre of Armenians at Rodosto and Malgara in July last, definitely presented his resignation to the Armenian National Assembly and the Minister of Justice.

The Government has approved the election of the new patriarch, Mgr. Zaven, Bishop of Diarbekir. The latter has not reached Constantinople, and is at present doing a tour in the Bitlis, Moush, and Erzeroum district. He is reported to be a man of energy, well educated, and speaking several languages. The object of his present tour is to encourage the Armenian villagers to exercise further patience and to cling to their homes in the hope that he will be able to induce the Government to introduce conditions of security.

It seems doubtful whether the Central Government will have the time and energy to deal effectively with the distant Anatolian provinces until the outstanding problems of the Balkan war, especially those connected with Greece, have been definitely solved.

I have, &c.
CHARLES M. MARLING.

[46976] No. 37.

Mr. Dering to Sir Edward Grey.—(Received October 15.)

(No. 177.)
(Telegraphic.) *Rome, October 15, 1913.*

MY telegram No. 163 of 23rd September.

Minister for Foreign Affairs sent for me to-day to say that he had been awaiting document from Constantinople which would enable him to mention to me the Italian projects at Adalia and the Nogara concession, concerning which I had spoken to Acting Secretary-General in September.

His Excellency had telegraphed to Italian Chargé d'Affaires at London, but hoped that I would also telegraph to you and express his hopes that we should not take any further action at Constantinople which would bring about any friction between ourselves and Italy. He had instructed Italian Ambassador in London, who will return there first week in November, to come at once and talk over the whole question with you, for he could assure me that there was no desire on the part of Italy to infringe the concession of the Smyrna Aidin Railway. As far as he could judge, the Italian concession did not encroach on 40-kilom. radius fixed by the convention of 1906 with the Smyrna-Aidin Railway, nor was it proposed to construct a line to meet either that company's line or

that of the Anatolia and Bagdad Railways. If the Italian project did in any way encroach, he could assure me that it would be modified so as to satisfy all parties. He was anxious that there should be no misunderstanding on this point, and would therefore ask me to let you know.

I said that Italian press had spoken so much of Buldur as a terminus for the projected Italian line that His Majesty's Government had thought it well to mention at once that a line there would infringe Smyrna–Aidin Company's rights. It was, as I had said in September, precisely with object of avoiding future misunderstanding that I had been instructed to mention to his Excellency in a friendly manner that we could not allow British company's concession to be infringed, although, as I now repeated, there was not the slightest desire on the part of His Majesty's Government to hamper any legitimate enterprise which Italy might have in view.

His Excellency asked whether Buldur came within Smyrna–Aidin Company's concession and was within 40 kilom. I replied that I understood it was, and quoted to him section 3 of article 1 of convention, which I happened to have in my pocket. His Excellency took note of this, and said he quite realised spirit in which warning was given, but repeated hopes that we would abstain from further representations at Constantinople. There was no reason that friction should arise, as there would be every desire to adjust Italian concession to suit wishes of Smyrna–Aidin Company.

Minister for Foreign Affairs made no pretence of denying that aim of Italian concession was construction of a railway, and, in fact, actually mentioned the word. Meanwhile, a telegram from Vienna in to-day's press reports news from Constantinople that an Italian engineer (name given as Conlang) has arrived at Adalia to direct survey of projected Italian railway line.

I submit that it might be possible to ascertain on the spot in which direction he is to survey.

[46981] No. 38.

Sir E. Grey to Hakki Pasha.

SIR E. GREY presents his compliments to Hakki Pasha, and, with reference to the interview which his Highness had with Mr. Parker on the 14th October, has the honour to state that he is greatly concerned, and, indeed, much embarrassed, by the information that his Highness is not yet authorised to sign the concession respecting navigation on the Rivers Euphrates and Tigris.

Sir E. Grey had been led to expect that this document, which was initialled as long ago as the 14th August, would be signed by the beginning of September. The date was subsequently fixed at the 14th October, and it now appears that there is likely to be a further delay.

In view of the fact that negotiations between Lord Inchcape and Mr. Lynch are necessarily in suspense pending the final grant of the concession, Sir E. Grey has the honour to urge strongly upon Hakki Pasha the necessity of obtaining the authority of the Ottoman Government to sign the concession without further delay, and he earnestly trusts that this may be done by telegraph, and that signature may take place this week without fail.

Foreign Office, October 15, 1913.

[47031] No. 39.

India Office to Foreign Office.—(Received October 16.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of enclosures in a letter from the Foreign Secretary to the Government of India, dated the 25th September, 1913, relative to Bin Saud.

India Office, October 15, 1913.

Enclosure 1 in No. 39.

Lieutenant-Colonel Sir P. Cox to Government of India.

(Confidential.)

Sir, *Bushire, September* 11, 1913.

WITH reference to the correspondence ending with Foreign Department telegram dated the 6th September, 1913, I have the honour to forward, for the information of the Government of India, a translation of the letter which I have addressed to Abdul Aziz-bin-Saud.

I have, &c.

P. Z. COX, *Lieutenant-Colonel, British Resident in the Persian Gulf and His Majesty's Consul-General for Fars, &c.*

Enclosure 2 in No. 39.

Lieutenant-Colonel Sir P. Cox to Abdul Aziz-bin-Saud.

(Translation.)

After compliments, *Bushire, September* 11, 1913.

I HAVE duly received your honoured letter dated the 7th Ramazan, and understand from it that you seek a fuller explanation of the attitude of the British Government in regard to your affairs and interests.

It is somewhat difficult to give such explanations without knowing more precisely on what points it is that you desire fuller knowledge, or in what directions you would expect the British Government to evince its friendly regard. If you desire it, I should be happy to have a meeting with you and a friendly interchange of views in this connection.

Meanwhile, I have my Government's authority to assure you that, provided you undertake on your part to abstain from all action calculated to disturb the *status quo*, or to create unrest, among the Arab principalities whose rulers are in relation with the British Government, including the principality of Qatar, the independence of which under the government of the late Sheikh Jasim and his successors of the Bin Thani family has been recently recognised by the British and Turkish Governments, the British Government will continue to maintain the friendly relations which have been sustained in the past.

P. Z. COX, *Lieutenant-Colonel, British Resident in the Persian Gulf and His Majesty's Consul-General for Fars, &c.*

[47108] No. 40.

Board of Trade to Foreign Office.—(Received October 16.)

(Confidential.)

Sir, *Board of Trade, October* 16, 1913.

IN reply to your letter of the 13th October relative to a recent enquiry by Sir Reginald MacLeod as to the Mesopotamian oil concession, I am directed by the Board of Trade to state that having regard to the point which has now been reached in the discussion with Sir Henry Babington Smith, acting on behalf of the National Bank, it would, in their opinion, be inadvisable for any communication on the subject to be made by your Department to any of the other parties to the National Bank's combination.

I am to suggest therefore, for Sir E. Grey's consideration, that Sir R. MacLeod might be informed that as discussion is proceeding with Sir H. Babington Smith, who represents the principal interests in the combination formed by the National Bank, it does not appear that any useful purpose would be served at the present time by separate discussion with the other parties thereto, especially as the National Bank will doubtless communicate to them any proposals which may appear to offer an acceptable basis for settlement.

I am, &c.

GEO. J. STANLEY.

[47102] No. 41.

Mr. Dering to Sir Edward Grey.—(Received October 16.)

(No. 178.)
(Telegraphic.) *Rome, October 15, 1913.*

MY immediately preceding telegram of 15th October.

Minister for Foreign Affairs in speaking of Italian projects at Adalia alluded in half apologetic manner to fact that Italy, like Germany, was a new nation, and had come late into the field of spheres of influence in countries bordering on Mediterranean. He likened her to unexpected guest at dinner for whom space must perforce be made, and said that I should quite realise her legitimate desire for expansion of her commercial interests. It was Italy's desire to maintain territorial *status quo* in Asia Minor, which he hoped would not be disturbed. He then referred to conversations which had been almost on the point of beginning both here with Sir R. Rodd and in London with the Italian Ambassador with regard to mutual understanding between the two countries on Mediterranean questions. These conversations, it was true, had not got far because so many urgent events had cropped up, for instance in the Balkans, which had required immediate attention, but he was inclined to think that there was no reason now why they should not soon be renewed. I said I would report his remarks to you. I gathered from his Excellency's manner that he is earnestly desirous that there should be no question which could in any way cause friction between Great Britain and Italy in Mediterranean, and could not but feel that he might be paving the way for these conversations in order to see if he could not get us to alter our attitude about Rhodes and Stampalia. If this supposition were in any way well founded it might be well to encourage his Excellency to speak out and let us see what is at back of his mind.

[46981] No. 42.

Sir Edward Grey to Hakki Pasha.

SIR E. GREY presents his compliments to Hakki Pasha, and, with reference to the interview which his Highness had with Mr. Parker on the 14th October, has the honour to state that, in view of the fact that the requisite negotiations between the Ottoman Government and the Bagdad Railway Company are not yet concluded, and are unlikely to be so before the 29th October, it would seem necessary to postpone the date of ratification of the Anglo-Turkish Convention respecting the Persian Gulf and adjacent territories.

This postponement will involve an amendment of the convention, which necessitates the conclusion of a supplementary convention *ad hoc*.

Sir E. Grey would suggest the following formula:—

"Puisqu'il n'a pas été possible d'effectuer l'échange des ratifications de la Convention relative au Golfe Persique et aux pays environnants avant la date indiquée à l'article 18, les hautes parties contractantes conviennent de prolonger de deux mois, c'est-à-dire jusqu'au 29 décembre, 1913, la période prescrite."

As it is necessary that this supplementary convention should be signed before the 29th October, Sir E. Grey has the honour to suggest that the assent of the Ottoman Government should be obtained by telegraph.

He would further suggest that all the other documents signed on the 29th July should be likewise ratified on or before the 29th December, with the exception of that relating to the southern part of the Turco-Persian frontier, which can be ratified during the present month.

The supplementary convention respecting the Shatt-el-Arab Conservancy Commission might, if convenient to his Highness Hakki Pasha, be signed on the 21st instant.

Foreign Office, October 16, 1913.

[47276] No. 43.

Mr. Marling to Sir Edward Grey.—(Received October 17.)

(No. 507.)
(Telegraphic.) *Constantinople, October 17, 1913.*

YOUR telegram No. 479 of 16th October.

Inspectorship is not particularly connected with Armenia, but is one of those contemplated by general scheme of reforms which is intended by Turks to obviate the necessity for special reforms for Armenian provinces.

Captain Deedes has returned from a tour of gendarmerie inspection in some of Eastern Anatolian provinces, and I understand that Colonel Hawker is about to be appointed inspector of gendarmerie in Armenia.

Deedes understands that most of his work would be at Constantinople, but that he would be available for inspection tours in all parts of Empire.

[46976] No. 44.

Sir Edward Grey to Mr. Marling.

(No. 484.)
(Telegraphic.) *Foreign Office, October 18, 1913.*

Mr. DERING'S telegram No. 177 of 15th October.

You should endeavour to ascertain if it is true that an Italian engineer is actually starting on a survey of the projected Italian railway from Adalia, and, if so, whether it is carried out in a northerly direction or conflicts in any way with the rights of the Smyrna-Aidin line under the Convention of 1906 or otherwise.

(Repeated to Rome, No. 314.)

[46976] No. 45.

Sir Edward Grey to Mr. Dering.

(No. 313.)
(Telegraphic.) *Foreign Office, October 18, 1913.*

YOUR telegram No. 177 of 15th October.

His Majesty's Government have already been for some time in negotiation with the Ottoman Government respecting the extension of the Smyrna-Aidin Railway under the terms of its concession, and they cannot agree to drop their discussions with the Turkish Government merely in order to allow an Italian company to obtain a concession which might infringe the rights of the British company. His Majesty's Government have no desire to stand in the way of legitimate Italian commercial expansion, but they cannot be expected to allow this to be effected at the expense of the established rights and natural expansion of the only existing British railway in Turkey. The Italian Government must clearly understand that, as regards those rights, His Majesty's Government feel unable to contemplate any compromise. If, as the Italian Government contend, the Italian concession does not infringe British rights and claims, then there is no occasion for any opposition.

In informing Italian Government of above, you should add that my attention has been called to reports in the newspapers that an Italian engineer is actually starting from Adalia to survey the projected Italian line, and that, if this should prove to be the case, and if the direction of the survey is such as to affect rights of British railway, His Majesty's Government would be bound to protest most energetically at Constantinople.

(Repeated to Constantinople, No. 483.)

[47496] No. 46.

Mr. Dering to Sir Edward Grey.—(Received October 19.)

(No. 180.)
(Telegraphic.) *Rome, October 19, 1913.*

YOUR telegram No. 313 of 15th October.

To avoid possibility of wilful misunderstanding or mere ignoring of verbal representations I have thought best to send Minister for Foreign Affairs memorandum

to-day embodying exact point of view of His Majesty's Government. Should he refer to the subject I should be glad to have your instructions whether it would be proper to communicate any more of Smyrna–Aidin Company's Convention of 1906. Hitherto I have merely quoted short extracts of articles 1 and 2 to enforce our point.

[47496] No. 47.

Sir Edward Grey to Mr. Dering.

(No. 317.)
(Telegraphic.) *Foreign Office, October 20, 1913.*

YOUR telegram No. 180 of 19th October: Italian railway project in Adalia.

If the point is raised you can refer to me again and instructions will be sent; but other negotiations on behalf of company are in progress, and there is no need to give away precise information respecting what rights are definitely acquired and what may be ultimately desired.

(Repeated to Constantinople, No. 486.)

[48604] No. 48.

Minute.

AN inter-departmental conference met at the Foreign Office on the 20th October to consider the German Ambassador's note of the 2nd June to the effect that as the need of establishing direct telegraphic communication between Germany, German East Africa and China might arise, the German Government would welcome a declaration from His Majesty's Government that they would not oppose in principle the landing of a cable on the shores of the Persian Gulf and an expression of opinion as to whether the landing of the cable in Turkish or Persian territory would be more favourably considered by His Majesty's Government.

There were present—

Mr. R. C. Barker, India Office.
Mr. E. W. Farnall, Post Office.
Captain M. P. A. Hankey, Committee of Imperial Defence.
Sir A. Hirtzel, India Office.
Mr. A. Law, Foreign Office.
Colonel G. Macdonogh, War Office.
Captain H. W. Richmond, R.N., Admiralty.
Mr. L. Oliphant, Foreign Office.

The conference were of opinion that the object of the request by the German Government could only be political, not commercial. The cost of laying a cable from the head of the Persian Gulf to Dar-es-Salaam, or to the Dutch East Indies, either direct or viâ Dar-es-Salaam, would be absolutely prohibitive on a commercial basis in the present or near future state of telegraph traffic.

The application did not therefore seem to be genuine, but to be put forward as a lever for obtaining so-called compensation elsewhere, a course common with German diplomacy. Further, if a cable were laid in the Persian Gulf, it would furnish an ever-ready excuse for the presence of a German warship or cable ship in the Gulf, and for these reasons the request should be resisted.

On the other hand, it would be well to be able to hold out some form of compensation to German commerce if the matter were again pressed by Prince Lichnowsky. It was eventually agreed to submit for Sir E. Grey's consideration that a reply should be returned to the German note of 2nd June, to the following effect:—

Seeing the paramount interests of Great Britain in the Persian Gulf, as enunciated in the Marquess of Lansdowne's Declaration of May 1903, His Majesty's Government regret to find themselves from a political point of view opposed to the landing of a cable on the shores of the Persian Gulf. But in order to meet all possible needs of German commerce, they will be happy, upon receipt of further information, to see in what way the requirements of international telegraph communications can be satisfied.

The conference proposed at the same time that steps should be taken to ascertain from the Eastern Telegraph Company what reduction could be made in the time of transit of, and the rates charged for, messages from Fao to Dar-es-Salaam, so that while they would still be sent viâ Kurrachee, Bombay and Aden to Dar-es-Salaam, the cost should be reckoned as though sent by a more direct route, such as from Muscat round the end of Arabia direct to Aden: also as regards messages for China whether any reduction in rates through India could be granted.

On these points enquiry will be made, but the Committee saw no reason to defer the answer to Prince Lichnowsky.

Approved: R. C. B.
E. W. F.
M. P. A. H.
A. H.
A. L.
G. M. W. M.
H. W. R.
L. O.

Foreign Office, October 20, 1913.

[47976] No. 49.

Mr. Dering to Sir Edward Grey.—(Received October 21.)

(No. 184. Confidential.)
(Telegraphic.) *Rome, October 21, 1913.*

SIR R. RODD'S telegram No. 163 of 23rd September.

Turkish Secretary here in conversation to-day with one of the embassy staff, although professing ignorance as to the course of Italian negotiations respecting Adalia, volunteered information privately that Italians had indeed asked for construction of railway from Adalia to Buldur and of port at Adalia. He believed that was all, and appeared to think this proposed line to Buldur would not interfere with trade interests in Smyrna–Aidin Railway.

[47276] No. 50.

Sir Edward Grey to Mr. Marling.

(No. 488.)
(Telegraphic.) R. *Foreign Office, October 21, 1913.*

YOUR telegram No. 507 of 17th October.

You should inform Captain Deedes that a general and comprehensive scheme of Armenian reforms is very shortly to be discussed with Turkey by the six Powers. Pending a settlement of that question it would seem better for Turkey not to make definite new appointments. It is open to Turkish Government to employ officers now in their service on provisional duties, or send them on special missions to particular localities if necessary, without conferring formal appointments pending discussion of a general scheme. If necessary, you can explain this view to Turkish Government.

[48299] No. 51.

Déclaration.

LES Soussignés, dûment autorisés à cet effet par leurs Gouvernements respectifs, déclarent ainsi qu'il suit:—

Il est bien entendu que les clauses des articles 7 et 8 de la Convention relative à l'Établissement d'une Commission pour améliorer les Conditions de la Navigation du Chatt-el-Arab, conclue le 29 juillet, 1913, ne modifient en rien les droits dont jouissent

actuellement en Turquie les ressortissants de certaines Puissances en vertu des traités existants.

En foi de quoi les Soussignés ont signé la présente Déclaration.

Fait à Londres, en double original, le 21 octobre, 1913.

E. GREY.
I. HAKKY.

[48235] No. 52.

Convention supplémentaire.

SA Majesté l'Empereur des Ottomans, d'autre part; et

Sa Majesté le Roi du Royaume-Uni de Grande-Bretagne et d'Irlande et des Territoires Britanniques au delà des Mers, Empereur des Indes, d'une part;

Désireux tous deux de modifier les dispositions de l'article 18 de la convention relative au Golfe Persique et aux pays environnants, conclue à Londres le 29 juillet, 1913;

Ont nommé pour leurs Plénipotentiaires, savoir:

Sa Majesté l'Empereur des Ottomans: Son Altesse Ibrahim Hakky Pacha, ancien Grand Vézir, décoré des Grands Cordons des Ordres Impériaux de l'Osmanié et du Medjidié en brillants;

Sa Majesté le Roi du Royaume-Uni de Grande-Bretagne et d'Irlande et des Territoires Britanniques au delà des Mers, Empereur des Indes: Le Très Honorable Sir Edward Grey, Baronnet du Royaume-Uni, Chevalier du Très Noble Ordre de la Jarretière, Membre du Parlement, Principal Secrétaire d'État de Sa Majesté pour les Affaires Étrangères;

Lesquels, s'étant communiqué leurs pleins pouvoirs, trouvés en bonne et due forme, sont convenus de ce qui suit:—

Puisqu'il n'a pas été possible d'effectuer l'échange des ratifications de la convention relative au Golfe Persique et aux pays environnants avant la date indiquée à l'article 18, les Hautes Parties Contractantes conviennent de prolonger de deux mois, c'est-à-dire jusqu'au 29 décembre, 1913, la période prescrite.

En foi de quoi, les Plénipotentiaires respectifs ont signé la présente convention supplémentaire et y ont apposé leurs cachets.

Fait à Londres, en double original, le 21 octobre, 1913.

E. GREY.
I. HAKKY.

[48148] No. 53.

Mr. Marling to Sir Edward Grey.—(Received October 22.)

(No. 511.)
(Telegraphic.) *Constantinople, October 22, 1913.*

OSTENSIBLE negotiations analogous to those conducted by Javid in Paris have been proceeding for some little time between him and Russian Ambassador here, with the object of securing Russia's assent to 4 per cent. increase of customs duties.

Russian Ambassador is uncommunicative on the subject, but I understand that agreement in principle is reached on the following points:—

1. Russia to be represented on council of Debt.
2. Railway questions.
3. Petroleum monopoly. In case of formation of a company to work the monopoly, Russian capital to have a large, but not preponderating, interest.

[48295] No. 54.

Minute by Mr. Parker.

I HAD asked Hakki Pasha to discuss the Smyrna–Aidin Railway question with me to-day, reserving the question of monopolies, &c., till Friday afternoon, when Sir Hubert Llewellyn-Smith has agreed to be present; but he told me he had been unable to prepare all his notes on the railway question, and he wished to communicate to me the text of the French agreement about monopolies, and to make a few preliminary remarks which might be laid before Sir H. Llewellyn-Smith before the meeting on Friday. A copy of this minute is accordingly being sent to the Board of Trade.

He said the French agreement covered various points which were not relevant to the British agreement, such as railway concessions and so on, and the best course would be for him to dictate to me the draft he had communicated on the 31st July, modified in accordance with the French agreement so far as it was applicable, and he suggested that the Turco-British agreement should be in the form of a bilateral declaration, to cover the Turkish desiderata enumerated in his communication of the 31st July, and the recent British desiderata.

In the following text the additions are underlined, and the omissions are crossed out.

SECTION I.

1. Le Gouvernement de Sa Majesté britannique donne son consentement à l'établissement en Turquie de monopoles ou de droits de consommation sur le pétrole, les spiritueux, le sucre, les allumettes et amadou, les papiers à cigarettes et les cartes à jouer, aux conditions formulées ci-après.

2. En cas de monopole, le Gouvernement Impérial ottoman, s'il est établi un monopole d'État, ou la société ou les sociétés concessionnaires, si les monopoles sont concédés à une ou plusieurs sociétés, ~~à un tant que l'État~~ ou la ou les sociétés s'approvisionneront à l'étranger, s'engageront à acheter annuellement en Angleterre (ou dans ses dépendances) l'exacte quantité au moins les quantités de marchandises ~~monopolisées, telle que cette quantité sera établie par~~ correspondantes à la moyenne

(NOTE.—Hakki Pasha said the words in brackets were omitted in the French version, but could be included in ours if it were desired. —A. P.)

de leur exportation en Turquie pendant les trois années entières qui ont précédé l'établissement du monopole.

Dans le cas d'accroissement de la consommation, la part à attribuer dans les achats au commerce anglais sera augmentée au *prorata* de sa participation.

Il est convenu que dans le cas où les monopoles d'importation seraient transformés en tout ou en partie en monopoles de fabrication, la cessation complète des achats à l'étranger ne pourra avoir lieu avant un délai de cinq années, les achats pouvant, d'ailleurs, être diminués d'un tiers chaque année.

3. Les détails des achats en question devront être réglés par contrat spécial entre le Gouvernement Impérial ou les sociétés concessionnaires et les maisons anglaises intéressées dans le commerce et l'exportation des diverses marchandises.

4. En cas d'établissement de droits sur la consommation, des droits ainsi que le mode et les formalités de leur application devront être égaux pour les provenances identiques de tous les pays étrangers.

5. Il en sera fait mention de la demande anglaise pour la réduction des droits de phare à partir de 1919.

Section II.

Le Gouvernement de Sa Majesté britannique accepte le principe de la refonte la modification de la Loi sur le Timbre en Turquie; il se déclare prêt en outre à examiner les mesures propres à concilier l'organisation d'un contrôle direct de l'Administration de la Dette publique ottomane sur les établissements anglais avec le secret des opérations financières et commerciales, en vue d'assurer la stricte application de cette loi; il est bien entendu que ces modifications seront arrêtées conformément à la procédure qui aura présidé à l'élaboration de la Loi du Timbre.

Section III.

Le Gouvernement de Sa Majesté britannique consent, en principe, à ce que les articles de provenance anglaise, comme les articles de toutes autres provenances, soient assujettis à des taxes d'octroi au profit des villes ottomanes importantes, à la condition que. Les tarifs d'octroi comprendront seulement des articles généralement soumis à l'octroi cette taxe. Les municipalités n'appliqueront pas un tarif supérieur à un tarif maximum qui sera fixé d'un commun accord entre les deux Gouvernements. Ce tarif sera le même pour les marchandises importées ou pour celles produites dans le pays.

Hakki Pasha proceeded to comment on this revised draft in the light of the British memorandum of the 10th September; but before recording his remarks it is convenient to give the text he suggested for the first two articles of the "Ottoman side" of the Declaration, which is to deal eventually with all the British desiderata lately formulated.

I. Le Gouvernement Impérial ottoman consent à la formation dès à présent d'une commission mixte anglo-ottomane ou d'une commission internationale à l'effet d'étudier la réduction des droits de phare perçus de la navigation en Turquie. Ces réductions devront être étudiées sur une base équitable avec prise en considération de la rémunération du capital engagé dans l'entreprise des phares et des frais de service et d'entretien. Elles n'entreront en vigueur qu'en 1919, à l'expiration de la concession existante et au commencement de la nouvelle période concédée.

2. Dans le cas où le Gouvernement Impérial ottoman déciderait de mettre de nouveau en adjudication les sections des travaux d'irrigation en Mésopotamie actuellement exécutées en régie par la maison Jackson, l'adjudication sera réservée aux maisons anglaises Jackson et Pearson, qui avaient été les seules à faire des offres à la suite de la première mise en adjudication desdits travaux, sous la condition expresse que les adjudicataires soumettront des prix acceptables, assumeront pendant dix ans la responsabilité des travaux, et feront agréer par le Gouvernement Impérial une combinaison financière assurant leur exécution.

3. Le Gouvernement Impérial ottoman ayant la ferme intention de maintenir intacte la situation légale des institutions anglaises religieuses, scolaires, hospitalières et autres en Turquie, déclare qu'aucun changement ne sera apporté soit aux conditions de leur existence, soit à la procédure pour la création de nouvelles institutions, soit à la franchise d'impôt et de taxes qui leur est accordée par les lois et ententes internationales en vigueur. Les démarches que l'Ambassade de Sa Majesté britannique se trouvera dans le cas de faire à la Sublime Porte à cet effet recevront l'accueil le plus cordial et toutes facilités conformes aux ententes précédemment établies.

(NOTE.—I understood from Hakki Pasha that provision for arbitration, in the event of disagreement as to an acceptable price, might perhaps be inserted in this article.—A.P.)

Hakki Pasha observed that several points which His Majesty's Government had laid stress upon in their memorandum of the 10th September would obviously be covered by the amended draft he now suggested, to which I agreed while remarking that a good many fresh points were raised by it.

His Highness said that, as regards the spirit monopoly, Great Britain was the only country which had made enquiries as to its nature: the subject was a complicated one, and a scheme would be prepared by the Ottoman Public Debt

and, as this would take time, no detailed indications could be given now. The objects of the Ottoman Government were (i) to secure an increase of revenue, and (ii) to stop the trade in inferior qualities of spirits, of which very large amounts came from Austria and Russia, and which had a deplorable effect upon those who imbibed them. As British imports were little concerned, Hakki Pasha hoped His Majesty's Government would agree to the Ottoman request.

As to petroleum, I asked Hakki Pasha whether the monopoly was to be one of production, or merely of distribution, and what forms of the product it was intended to include. He said he had telegraphed to-day for information on these two points. I said we had heard there was some question of a monopoly being given to a Russian company, but he must be aware how deeply interested His Majesty's Government must be in this question, both on account of the oil concessions which had been promised to British subjects, and on account of the British enterprises, such as navigation companies and the Smyrna-Aidin railway, which would employ oil fuel; and, for these reasons, it was obviously important that the Turkish Government should not commit themselves. I think this should be emphasised in writing.

As regards sugar, Hakki Pasha said that the Ottoman Government would probably establish a consumption tax, but as the French Government had agreed in principle to either a monopoly or a consumption tax he hoped that His Majesty's Government, who were far less interested, would raise no difficulty.

As to the control of the Public Debt over the British firms in Turkey for the purposes of checking the stamp duty, he hoped we would at least go as far as France had.

I said that all these remarks would be placed before the Board of Trade and Sir Hubert Llewellyn-Smith would be able to discuss them more fully on the 24th October.

A. P.

October 22, 1913.

[48219]

No. 55.

India Office to Foreign Office.—(Received October 23.)

Sir, *India Office, October* 22, 1913.

I AM directed by the Secretary of State for India to transmit to you, for the information of the Secretary of State for Foreign Affairs, copy of papers from the Political Resident, Aden, on the subject of Arabia.

I am, &c.

T. W. HOLDERNESS.

Enclosure 1 in No. 55.

Political Resident, Aden, to the Marquess of Crewe.

My Lord Marquess, *Aden, October* 5, 1913.

WITH reference to the Foreign Office letter, dated the 16th September, 1913, and my telegram of the 30th idem, regarding German action in the Red Sea, I have been making enquiries, and have the honour to report as follows:—

1. As regards the Germans making a railway from Hodeidah to Mocha, rumours have been prevalent for some time, and last year on a visit to Hodeidah I was so informed. I do not think there is much truth in these reports, as even if the Turks gave a concession it is unlikely that the Arabs would allow of its being carried out.

2. I hear, however, that the French have obtained a concession to build a railway from Mocha to Taiz and Sana'a in the Yemen, which would no doubt deflect a good deal of the inland trade of the Yemen from Aden. On the other hand, the Arabs have so great an aversion to the greed of Turkish officials as regards bribes that it is quite possible the trade would continue to come to Aden, but might be reduced by reason of the greater facilities of rail transport.

3. Germany wants a coaling port in the Red Sea; the Kamarans are suitable, the harbour being easy of entry, of large extent, and with deep water. It is a considerable way up the Red Sea, and if the object of Germany is to enable to coal her trading ships in her own port, I do not think the Kamarans would be so suitable a place for them as Rahaita.

4. I have just returned from making enquiries, and think that there is a great deal of truth in these rumours. Rahaita is a good port, and just opposite Perim on the African coast, so is easily accessible for German ships on their way to German East Africa. Rahaita is on the boundary between French and Italian territory, but belongs to the Ithains (? Italians).

5. As regards reliable information about the Mocha-Hodeidah Railway, I would suggest the British vice-consul at Hodeidah being asked as to whether Germany has any desires in that direction.

I have, &c.,

J. A. BELL, *Major-General.*

Enclosure 2 in No. 55.

Political Resident, Aden, to the Marquess of Crewe.

My Lord Marquess, *Aden, October* 7, 1913.

IN continuation of my letter dated the 5th instant, I have the honour to submit the following summary of recent reports received from the Assistant Resident, Perim:—

Summary.

Report, dated July 5, 1913:—

"The Turks are reported to be erecting a permanent way for a light railway from Mocha to Taiz."

Report, dated July 12, 1913:—

"With reference to my paragraph 2 of last week's report, it is rumoured that a German firm has accepted a contract to build a railway from Hodeidah to Mocha, viâ Taiz."

Report, dated July 26, 1913:—

"Construction of the permanent way at Mocha proceeding, and the German steamers carrying the railway lines, &c., expected shortly."

Report, dated August 16, 1913:—

"Germans have been negotiating for the purchase of Rahaita."

It is, however, to be noted that these reports are based on rumour only, and I much regret that so far it has been impossible to obtain such confirmation or refutation of the rumour as would enable one to say exactly how far it is reliable.

I have, &c.

J. A. BELL, *Major-General.*

[48352] No. 56.

Sir H. Babington Smith to Sir E. Crowe.—(Received October 24.)

Dear Sir Eyre, 50, *Cornhill, London, October* 23, 1913.

I HAVE to thank you for your letter of the 6th October, communicating to me, in confidence, an extract from the agreement initialled on the 11th September, between M. Pichon and Djavid Bey, with reference to the ports of Samsoun and Trebizonde.

It may be convenient that I should inform you of the present position of this question.

As I stated in my letter of the 10th June, the period for the consideration and settlement of the plans was extended. The new date fixed for the completion of such consideration was the 16th (29th) August, 1913, from which date the period of two months for the option would run.

In fact, however, the examination and discussion of the plans was not completed by that date; and, up to the present time, the Ministry of Public Works, which had suggested certain modifications, has not arrived at any decision as to the exact form which the schemes should assume. We have naturally represented that, until a decision is arrived at by the Government, it is impossible to consider whether we should exercise our option; and that the period of two months for the option should run from the date when the plans are finally settled. This is clearly the intention of article 4 of the preliminary contract.

We found, however, considerable reluctance on the part of the Ministry of Public Works to admit this point of view; and we have some reason to think that influences are at work behind the scenes with the object of making our concession lapse.

The present position is that the Minister of Public Works has asked that engineers may be sent to Constantinople to discuss the modifications of the plans, and has undertaken verbally that if this is done at once they will agree that the period of option runs for two months from the final settlement of the plans. We have replied that Sir John Jackson's engineers will start on Sunday, the 26th instant; but that, as the 29th October is the date by which, according to the contention of the Ministry, the option must be exercised, we must have a written communication, before the engineers start, in the sense of the Minister's verbal assurances. We are awaiting a reply to a telegram to this effect, which was despatched on the 21st instant.

The attitude of the Ministry of Public Works may be, no doubt, due in part to the belief that the National Bank of Turkey is not likely to take up the concession. You are aware of our general attitude as regards new business in Turkey; and if the bank alone were concerned, we should not be justified in asking for assistance from the Government. It is, however, a question of works in which an important British firm of contractors—Sir John Jackson (Limited)—is interested; and, failing the National Bank of Turkey, there can be little doubt that Sir John Jackson would be able to secure financial co-operation from other quarters. We are anxious to ensure that Sir John Jackson's interests shall not suffer by our withdrawal; and, if circumstances should require it, I hope that we may have Sir Edward Grey's support in claiming that the concession should not be allowed to lapse through an unreasonable interpretation of the option clause.

Believe me, &c.

H. BABINGTON SMITH.

[48578] No. 57.

Sir Edward Grey to Sir L. Mallet.

(No. 495.)
(Telegraphic.) R. *Foreign Office, October* 24, 1913.

HAKKI PASHA is still without authority to sign the Tigris navigation concession, and delay is causing serious embarrassment to Lord Inchcape, who cannot meanwhile continue his negotiations with Mr. Lynch.

You should make urgent representations to the Minister for Foreign Affairs on the subject, pointing out that every clause was carefully revised by Hakki Pasha before he initialled it, and that, in these circumstances, His Majesty's Government are painfully impressed by, and fail to understand, the delay. Signature was at first expected on 1st September, and repeated representations since made to Hakki Pasha have so far led to no definite result.

[48352] No. 58.

Sir Edward Grey to Sir L. Mallet.

(No. 496.)
(Telegraphic.) *Foreign Office, October* 24, 1913.

PLEASE refer to my memorandum of 7th July to French Ambassador and to article 6 of Franco-Turkish agreement communicated to me on 18th September.

Sir John Jackson's firm are still interested in ports of Samsoun and Trebizond, but National Bank fear influences are at work to make concession lapse.

Minister of Public Works has promised verbally that if engineers go to Constantinople at once to discuss modifications of plans he will agree that option runs for two months from final settlement of the plans. National Bank have replied that engineers will start on 26th October, but that, as 29th October is, according to contention of Minister, date by which option must be exercised, bank must have written communication, in sense of Minister's verbal assurance, before engineers start.

You should press that this may be given, and strongly support Jackson.

[46537] No. 59.

Sir Edward Grey to Sir L. Mallet.

(No. 497.)
(Telegraphic.) R. *Foreign Office, October* 24, 1913.

MR. MARLING'S despatch No. 846 of 8th October.

From your remarks in first paragraph I have some hesitation as to what course to adopt. It is impracticable to obtain now Turkish acceptance in advance of all further claims we may put forward, of whose nature Turkish Government would necessarily be ignorant, and if we invited British subjects to come forward with claims these would require careful sifting before we could support them. On the other hand, there are objections to furnishing Turkey with lists in instalments.

On the whole, the best course seems to be to send last list to Hakki Pasha with an intimation that there will be further claims which will require examination before they are presented; that we would favour appointment of mixed commission to examine all the claims other than judgment debts; and that difference of opinion might be settled by arbitration, and our assent to the monopolies would *inter alia* be dependent upon settlement of these claims.

Please let me have your views respecting this suggestion and any alternative ones you have to make.

[48624] No. 60.

Sir L. Mallet to Sir Edward Grey.—(Received October 25.)

(No. 518.)
(Telegraphic.) R. *Constantinople, October* 25, 1913.

YOUR telegram No. 495 of 24th October.

I saw Minister for Foreign Affairs this afternoon and impressed upon him the urgent necessity of instructing Hakki Pasha to sign navigation concession without further delay.

He assured me instructions would be sent at once, and that no difficulties would be made, but that this concession had to be examined. I said that every clause had been carefully revised by Hakki, and that further examination seemed unnecessary. He reiterated his promise that final instructions would be sent in two or three days.

[48625] No. 61.

Sir L. Mallet to Sir Edward Grey.—(Received October 25.)

(No. 519.)
(Telegraphic.) R. *Constantinople, October* 25, 1913.

YOUR telegram No. 496 of 24th October: Samsun and Trebizond.

I asked Minister for Foreign Affairs to-day to confirm in writing promise of Minister of Public Works respecting prolongation of option.

I told him that engineers were ready to start to-morrow, but could not do so until it was certain that option would be extended.

His Highness promised to give the written confirmation without delay.

[48553] No. 62.

Sir Edward Grey to Sir L. Mallet.

(No. 498.)
(Telegraphic.) *Foreign Office, October* 25, 1913.

MY telegram No. 496 of 24th October.

Sir John Jackson wishes to emphasise that, his firm having in perfect good faith made all surveys and prepared designs, estimates, &c., for ports, it is not reasonable that advantage should be taken of their expenditure and long experience for the benefit of foreign contractors. You should bring this out in your communication to Minister for Foreign Affairs.

It was only on the understanding that British rights would not be damaged that I agreed not to oppose the French reversionary claim to an option.

[48295] No. 63.

Sir Edward Grey to Sir L. Mallet.

(No. 355.)
Sir, *Foreign Office, October* 25, 1913.

I TRANSMIT to your Excellency a copy of a minute recording a conversation between Hakki Pasha and Mr. Parker respecting certain subjects now under negotiation between His Majesty's Government and the Ottoman Government.*

The clauses about monopolies or consumption taxes are being carefully examined at the Board of Trade, and section 3 about octroi is also being considered.

I should be glad to receive your Excellency's observations on articles 1, 2, and, particularly, 3 of the "Ottoman side" of the proposed declaration. I think that the draft of article 3 might, with some slight modification, meet the object we have in view, which is to secure the general assent of the Ottoman Government to our desiderata, while transferring the detailed negotiations to Constantinople, where it may be possible to carry on negotiations on parallel lines with those which, it is understood, the French Ambassador is now engaged upon. I should be glad to receive your Excellency's observations on this article by telegraph.

I am, &c.
E. GREY.

[48672] No. 64.

Mr. Marling to Sir Edward Grey.—(Received October 27.)

(No. 867.)
Sir, *Constantinople, October* 18, 1913.

IN reply to your telegram No. 477 of the 14th October, I have the honour to report to you that having occasion to call on the Grand Vizier on other matters

* No. 54.

yesterday, I observed to his Highness that at Mr. Graves's request I had informed you of the offer made to him by the Minister of the Interior, and had been authorised to inform his Highness that at a moment when the solution of the Armenian question was being discussed among the Powers, His Majesty's Government could not authorise British officials to accept posts such as that suggested to Mr. Graves by Talaat Bey. I added that a similar proposition had been made to Sir R. Crawford, who had however, declined to accept it on various grounds. His Highness asked what the appointment was and, when I had explained, exclaimed that he had never heard of the proposal. A moment's reflection convinced his Highness that the story was not one which Mr. Graves or I was likely to have invented, and he thanked me for the intimation.

It is noteworthy that Talaat Bey, should have taken a step of this importance without informing the Grand Vizier, but the readiness with which the latter recovered from his surprise suggests that it is by no means the first time that he has learnt of some action taken by his colleagues from outside source.

I have &c.
CHARLES M. MARLING.

[48676] No. 65.

Mr. Marling to Sir Edward Grey.—(Received October 27.)

(No. 871.)
Sir, *Constantinople, October* 20, 1913.

IN transmitting the enclosed despatch from the acting British consul-general at Smyrna on the subject of the probable effect which the construction of a railway by the Italians, starting from Adalia towards Bourdour, might have on the future prospects of the Smyrna–Aidin Railway, I have the honour to submit the following information which has recently reached me in connection with the "contrat projet d'études" recently obtained from the Turkish Government by an Italian syndicate.

These districts were visited early in the year by Italians who travelled about the country, and who, although calling themselves archæologists, are reported to have devoted their attention principally to the mining possibilities of the districts visited. Important mineral deposits, notably of iron ore, exist in the district lying between Adalia and Selefké, and especially in the neighbourhood of Ermenek, whilst extensive forests are found on the mountain slopes. The object of the Italian syndicate is to investigate the possibilities of working these mineral deposits and the forest lands, and to conduct surveys with a view to the establishment of railway communications between the mining properties they eventually may decide to develop and some point on the coast convenient for the transport and shipment of ore. Some indication of the intention of the syndicate to devote their attention to mining industries in the country is afforded by the fact that they have recently secured the services of a M. Coulon, a mining engineer, formerly the technical adviser of the Turkish Ministry of Mines, whose exceptional knowledge of the mineral resources of the country will be of the utmost value to the syndicate.

I hear, however, on the other hand, that the Constantinople agency of the Banco di Roma attach little importance to the value of the contract which M. Nogara has secured, and seem to regard the activities which the syndicate display as indicated by a desire to influence Italian public opinion on questions of colonial policy which may be discussed at the coming elections.

I have, &c.
CHARLES M. MARLING.

Enclosure in No. 65.

Acting Consul-General Heathcote-Smith to Sir Edward Grey.

(No. 10. Commercial. Confidential.)
Sir, *Smyrna, September* 30, 1913.

I HAVE the honour to report that, according to the Constantinople papers (Stamboul, 27th September, 1913), a concession has been granted to an Ottoman subject, who is working for Italian interests, to have a survey made of a railway line to be constructed from Adalia to Bourdour, a small town near to the upper section of the (British) Ottoman (Aidin) Railway Company.

On the other hand, this information is contradicted by a notice in another paper saying that the survey is to be made rather for a coast railway from Adalia via Ermenek to Mersina.

Whatever be the exact truth, it is an undoubted fact that the Italians are seeking to obtain a railway concession of some sort in the neighbourhood of Adalia.

On the 6th October, 1906, a supplementary convention was passed between the Turkish Government and the Aidin Railway, by clause 2 of which the latter had the option reserved to it of constructing any line that might start from Adalia to join either the Aidin or the Bagdad lines; while again, by clause 1, no other company's lines may approach within 40 kilom. of any point on the Aidin line.

Now satisfactory as these clauses are, there is still a loophole left for a line starting from Adalia and running within the limits that are not forbidden, or again, for purely economical reasons, the Aidin Railway might decide to waive its right to build any railway from Adalia.

Whatever be the economic side of the question, there is the whole unfortunate history of British railways in Turkey in Asia which have passed away into foreign hands to show what irretrievable mistakes have been made in the past by concentrating attention on the purely immediate economic interests involved at any given moment.

Although large sums may be spent on shipping and industrial interest in any given district, it appears somehow that it is reserved particularly for railways to enjoy the distinctive privilege of constituting the most important factor in creating a zone of influence.

If the Aidin Railway (the intentions of which I know nothing about) forego their right to construct a branch to Adalia, the last corner of Turkey in Asia where a British railway can still remain paramount will be cut off.

I must beg leave to be excused for putting forward these considerations, but they are dictated by the belief that a company whose line of action must primarily be decided by the question of dividends, would necessarily consider what may be called politico-commercial considerations as of secondary importance.

Coming to the economic aspect of the matter any foreign railway tapping the district of the upper reaches of the Aidin line would seriously affect its prosperity. The Adalia district itself is peculiarly fertile, and so far thinly populated. The construction of a railway from any point inland in the near neighbourhood to Adalia would certainly be remunerative, and would equally surely carry the construction of a port at Adalia with it.

A very rapid increase of the prosperity and population of the region are consequences that must then be looked for.

Adalia is actually several hours by sea nearer to Italy and the west of the Mediterranean than is Smyrna, and the extensive forest and fertile uplands of the Adalia hinterland would doubtless richly repay in the long run those that can build for the future.

The recent appointment of a salaried Italian vice-consul at Adalia, and the establishment of a weekly subsidised steam-ship service to and from Italy calling at Adalia, coupled with the present efforts after a railway concession mean that, unless forestalled, it is the Italian who will deprive the English of their vantage ground for the economic development of the south-east corner of Asia Minor.

I have, &c.

C. E. HEATHCOTE-SMITH.

[48681] No. 66.

Mr. Marling to Sir Edward Grey.—(Received October 27.)

(No. 870.)

Sir, *Constantinople, October 22, 1913.*

IN obedience to the instructions contained in your despatch No. 336 of the 13th instant, I have shown to Mr. Fitzmaurice the statement attributed to him by the Italian Chargé d'Affaires in London, to the effect that "Mr. Fitzmaurice did not attach any importance to the British interests involved in the Smyrna-Aidin Railway and in the rights of extension secured to the railway company under their concession," and I have now the honour to transmit to you herewith, in reply, copy of a memorandum by

Mr. Fitzmaurice, which I venture to think entirely disposes of a statement which appears to me to deserve the epithet of fantastic.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 66.

Memorandum by Mr. Fitzmaurice.

WITH reference to the Foreign Office despatch No. 336 of the 13th October, 1913 and the statement attributed to me by the Italian Chargé d'Affaires in London, to the effect that I "did not attach any importance to the British interests involved in the Smyrna-Aidin Railway and in the rights of extension secured to the railway company under their concession," it is needless to say that I never made any such remarks.

I make it an absolute rule never to volunteer discussion on political topics with any "chef de mission" here, and my only conversation with any Italian on the subject of Adalia is the following, and under the following circumstances:—

Some weeks ago, as I reported to you generally at the time, I met the Italian Chargé d'Affaires, Count Nani Mocenigo, at the door of his house at Therapia. He began speaking to me about the situation as regards Turco-Bulgarian relations, and then volunteered the remarks that exaggerated rumours had got about as regards Italian doings in the Adalia region; that it was merely a question of a *contrat d'études*, and that there was not the slightest idea of trespassing in any way on the rights of the Smyrna-Aidin Railway. I was somewhat surprised at his speaking to me on the subject, and attributed his doing so to the fact that he is not on visiting terms with more than one embassy here, including ours. As I was not acquainted with the details of the question, and it was not my province to discuss such matters, I made a remark to the effect that I had no *locus standi* in the matter, but that, if it was as he said, any misunderstanding arising out of exaggerated rumours would doubtless be susceptible of adjustment. All this was before the affair became the subject of "discussion" between London and Rome.

I was quite ignorant at the time of any "rights of extension secured to the railway company under their concession," nor did Count Nani Mocenigo allude to the point. As authorised by you, I have to-day shown him a copy of the two statements in inverted commas at the beginning of this memorandum, and attributed to me by Prince Borghese. Count Nani Mocenigo quite recognises that I never made either of them to him, and says that this misunderstanding is due to the bungling of Prince Borghese. I could not glean from him what he really did report, and fancy that his account may have been partly the product of an exuberant southern temperament.

I may add that my discretion in the matter of Adalia has been such that, though I have recently dined and lunched some thirty times at the same table at the hotel at Therapia with my Italian colleague, Commendatore Galli, not a single word on the subject of Adalia has ever been exchanged between us.

G. H. FITZMAURICE.

Constantinople, October 22, 1913.

[48705] No. 67.

Sir E. Goschen to Sir Edward Grey.—(Received October 27.)

(No. 385.)

Sir, *Berlin, October 24, 1913.*

THE Russian Foreign Minister spent one day in Berlin in the course of his return journey from Paris. M. Sazonof arrived here in the morning of the 21st October, and proceeded at once to the Russian Embassy. Later he lunched with the Imperial Chancellor, while in the evening a dinner was given for him by the Russian Ambassador, to which the Chancellor and Herr Zimmermann, the Under-Secretary of State of the Foreign Office, were invited. The same evening M. Sazonof left Berlin for Warsaw.

No communiqué was issued to the press regarding the subjects discussed between the two Foreign Ministers, and the newspapers have refrained in general from any speculations on the subject; small notices, however, have appeared in various papers

stating that M. Sazonof had expressed his delight in meeting once more the Chancellor, in whom he had the greatest confidence, while the Chancellor is stated to have expressed his great satisfaction at the friendly tone of the discussions, which are supposed to have touched upon the Balkan situation and the Armenian question.

During his short stay in Berlin M. Sazonof found time to give an interview to a representative of the "Lokalanzeiger," to whom he declared that, though it was true that he had received a representative of the "Novoe Vremya" in Paris, the latter had grossly misrepresented what he had said to him, and that, in particular, the passage of the interview where his words might be read as implying that Russian policy was directed against Germany was a pure invention.

You will doubtless hear from M. Sazonof all that really passed between him and the directors of foreign policy in Berlin. Herr Zimmermann, in a short conversation which I had with him the other day, only gave me a very rapid and somewhat sketchy account of his personal discussions with his Excellency.

He told me that they had touched lightly upon the question of the Ægean islands —indeed so lightly that they apparently did not go beyond the fringe of that difficult question. Herr Zimmermann had said that if the islands, with the exception of those at the entrance of the Dardanelles, were handed over to the Greeks, there appeared to him to be every likelihood of dangerous complications between Turkey and Greece, while M. Sazonof had said that if Turkey were to retain possession of, for instance, Mitylene and Scio, that would mean that Europe would have had more Cretes on their hands.

Herr Zimmermann seems to have spent some time in explaining to M. Sazonof that the representations made at Belgrade by the Powers of the Triple Alliance on the Albanian frontier question had not been the result of a previous arrangement between the three Powers, and had not been either collective or identic. In fact, in making his representation at Belgrade, he had not consulted the Austro-Hungarian Government at all. The Italian Ambassador had, in conversation with him, pointed out that the Servian advance into Albania was causing considerable excitement at Vienna, and had suggested that a word of warning and advice at Belgrade might perhaps be useful and prevent possible complications. This suggestion had appeared to him sound; he had therefore sent for the Servian Chargé d'Affaires, and, telling him in the most friendly manner that the decisions of the London Conference must be respected, had asked him to warn his Government against any further advance, and to tell them that the best advice which the German Government could give them was that they should withdraw their troops from Albania as soon as possible. The Italian Government had given similar advice also on their own initiative. The Austro-Hungarian Government had in the meantime also made representations at Belgrade couched in stronger terms, and their threat to send an ultimatum if their warnings were disregarded, and the sending of the ultimatum itself, had been merely communicated to the German Government, and had not been the result of consultation between the two Governments.

This was all Herr Zimmermann told me beyond saying that the conversations between M. Sazonof and the Chancellor and himself had been of a most friendly nature, and that M. Sazonof's visit had altogether left a very agreeable impression.

I have, &c.
W. E. GOSCHEN.

[48846] No. 68.

General Post Office to Foreign Office.—(Received October 27.)

(Confidential.)
Sir, *General Post Office, October 25, 1913.*

WITH reference to the correspondence terminating with your letter of the 13th instant, and to the inter-Departmental Conference which took place on the 20th instant, regarding the desire of the German Government to lay a cable between Turkey in Asia and German East Africa, I am directed by the Postmaster-General to acquaint you, for the information of the Secretary of State, that Sir John Denison Pender has been informed, in accordance with the conclusions reached by the inter-Departmental Conference, that the scheme discussed with him and explained in the Post Office letter to the Foreign Office of the 5th July last will be held over for the

present, but that it is desired, as an alternative, to offer a reduction of rates for local traffic between the head of the Bagdad Railway and German East Africa, on the understanding that the rate for telegrams from Germany to German East Africa by that route will not be less than the rate by the normal route. Sir John Denison Pender expressed the concurrence of his company in this course. He was of opinion that German cable enterprise would be fully employed for a year or more in connection with the scheme for a new cable to South America, but that the scheme for a German cable to East Africa would probably then be revived, as he thought it unlikely that the proposed reduction of rates would satisfy German aspirations in that region permanently, or even for long.

I am, &c.
E. CRABB.

[48899] No. 69.

Sir L. Mallet to Sir Edward Grey.—(Received October 27.)

(No. 522.)
(Telegraphic.) R. *Constantinople, October 27, 1913.*

YOUR telegram No. 497 of 24th October.

I do not see how the difficulty indicated in the first paragraph of your telegram can be overcome except by reserving the right of His Majesty's Government to present further claims to proposed Commission within a fixed period, as suggested in embassy despatch No. 765. Period need not be a very long one, say six months. Even since despatch No. 846 was written, some further small claims have come in.

With reference to second paragraph, would it not be possible to give proposed Commission itself arbitral powers? Provided certain general principles were agreed on beforehand, and the person exercising the casting vote were carefully chosen, this would give satisfactory results, and delay and expense would be avoided.

It might be better to submit all claims to the Commission so constituted. This would have the advantage of producing an indisputable record of all claims. Moreover, questions may arise as to the exact amount actually due in the case of claims indisputable in principle. Thus it would be necessary to allow interest on judgment debts, and for errors in valuation of requisition goods.

If, however, it be considered preferable to divide claims into two categories, I would submit that there are many, *e.g.*, those for sums due to Government contractors for arrears of salary, which cannot be disputed, and which should be placed on the same footing as judgment debts.

[44555] No. 70.

Sir Edward Grey to Mr. O'Beirne.

(No. 361.)
Sir, *Foreign Office, October 27, 1913.*

THE Russian Chargé d'Affaires called on the 25th ultimo and made a communication as follows:—

"Les Ambassadeurs de Russie et d'Allemagne à Constantinople sont tombés d'accord de s'appliquer à faire accepter par la Porte et par leurs collègues le projet de réformes en Arménie résumé dans les six points suivants:

"1. La Sublime Porte a décidé de s'adresser aux Puissances pour leur demander de lui recommander deux Inspecteurs généraux pour les deux secteurs de l'Anatolie orientale, (*a*) Erzeroum, Trébizonde, Sivas, et (*b*) Van, Bitlis, Kharpout, Diarbékir, avec lesquels elle pourrait conclure un contrat de ans; la Porte manifeste en même temps sa résolution de s'adresser au concours des Puissances toutes les fois où ces contrats auraient pris fin.

"2. La Porte reconnaît à ces deux Inspecteurs le droit de présenter à la nomination du Gouvernement turc les fonctionnaires supérieurs et les juges, de nommer les autres fonctionnaires, ainsi que de destituer librement, sans exception aucune, tous les fonctionnaires dans leurs secteurs.

"3. Il y aura dans chacun de ces secteurs une assemblée élective composée par moitié de musulmans et de chrétiens.

"4. Ce même principe d'égalité sera appliqué pour la répartition de tous les fonctionnaires dans les deux secteurs.

"5. La Porte invite les Grandes Puissances de contrôler elles-mêmes l'application des réformes par l'entremise des Ambassadeurs à Constantinople et de leurs consuls sur les lieux.

"6. La Porte se propose de s'entendre avec les Puissances sur les autres réformes à appliquer dans les deux secteurs de l'Anatolie orientale."

M. de Etter stated that the Russian Government had approved the arrangement, and they trusted that His Majesty's Government would do likewise and would support it.

On the 3rd October I informed M. de Etter that His Majesty's Government were prepared to do this.

I am, &c.
E. GREY.

[49251] No. 71.

Memorandum communicated by Hakki Pasha, October 28, 1913.

DEMANDS OF THE SMYRNA-AIDIN RAILWAY COMPANY.

I.—*Prolongation of the Concession.*

(Confidential.)

THE company's first demand for a prolongation of twenty-five years is extended in the memorandum of the Foreign Office to forty-nine; the financial consequences of such a prolongation are calculated hereafter.

In conformity with the existing conventions the Ottoman Government have the right to purchase the 622 kilom. exploited by the company in paying to them a sum fixed to 4,200,000*l.* at the 15th October, 1950, or any subsequent date. Basing our calculation on the actual rending of these lines and the normal development of railways in Turkey, we can easily suppose for the year 1950 an annual kilometric receipt of 30,000 fr. as a minimum rate, which, after reduction of 40 per cent. for expenses and charges, will have an annual receipt of 418,000*l.* If we reduce of this sum 250,000*l.* as 5 per cent. interest on the purchase-price of 4,200,000*l.*, it remains an annual sum of 238,000*l.* gratuitously accorded to the company, the Government remaining obliged to pay millions to the company to be able to exercise their right to purchase. This is certainly inadmissible.

The Ottoman Government are desirous of meeting the wishes of His Majesty's Government, but hope to see realised the necessity of a fair basis for the demanded prolongation. The following one may be suggested:—

(*a.*) The concession to be prolonged for after the 15th October, 1950, for a number of years to be agreed upon.

(*b.*) The company to have, after that date, for the expenses of exploitation and maintenance, as well as the interest of their capital, a percentage of the gross receipts to be fixed by agreement of the parties.

(*c.*) A sinking fund to be formed on the surplus of the gross receipts, calculated to produce at the end of the concession the exact amount of the price of purchase.

(*d.*) The surplus of the gross receipts to be divided between the Government and the company in a proportion to be agreed upon.

(*e.*) The purchase-price being provided for by the sinking fund, the Government to have to pay only the price of the materials of exploitation, of which a list will be dressed.

Question of Nationality.

The British Government will kindly remark that since the Chemins de fer orientaux Society left the Austrian nationality to become an Ottoman company the Smyrna-Aidin Company is the only railway enterprise in Turkey which keeps a foreign nationality. It is hoped that the acquisition of the Ottoman nationality will be one of the results of the present negotiations.

II.—*Line between Eghirdir and Bekchehir Lakes.*

At two previous occasions the Anatolie Railway Company objected to the extension of Aidin line in the Konia direction. In 1888 a special clause was entered in the new convention to state that the conditions of the navigation on the Lake Eghirdir will not be changed. The intended new line will undoubtedly cause a great change to the aim of this clause and deprive the Anatolie line of the transports of the two kazas of Yelovatch and Kara Agatch. It is judged convenient to first negotiate this point with the Anatolie Railway Company in order to conciliate the desiderata of the both enterprises and prevent future discussions.

III.—*Navigation on the Bekchehir Lake.*

The same consideration applies also to this point even with more strength, the Bekchehir Lake being used by the Anatolie Railway Company for the irrigation works.

IV.—*Navigation on the Lake Eghirdir.*

If a solution can be found for the second demand it would be a matter of course that the company undertake regular transports between the two opposite stations of the lake. This point is also connected with the two preceding demands, involving a change to the 4th article of the 1888 convention. Otherwise the Ottoman Government have no objection to grant it in conformity of the conditions indicated by the company in their last request to the Public Works Department, under Ottoman flag, without any right of monopoly and any interference with the similar transporting enterprises on the lake.

V.—*The intended Karakeuyou-Sandikli Branch.*

The Ottoman Department of Public Works is ready to concede this demand with the condition that delays be fixed for the beginning and terminating of the construction works.

VI.—*Eventual Junction with the Anatolie Line.*

There is no objection of principle to this, but two considerations are worth serious attention:—

(*a.*) The two companies may agree on conditions prejudicial to the interests of the Government; or

(*b.*) There being no agreement possible between them, the line cannot be constructed, and the Government remains bound to the Smyrna-Aidin Company and unable to realise a desired junction by other means.

In consequence, it is advisable that the agreement between the companies be negotiated and the consent of the Government to it obtained at once, or that the Government be free, under certain conditions, to have the junction by other means.

VII.—*Area of 40 kilom.*

For the new lines this area seems to be unacceptable, interfering with the zones of other guaranteed lines.

VIII.—*Condition of the new Lines.*

The proposal of the company that the new lines be constructed in the same conditions as fixed in the convention of 1888 is accepted, with the reserve of the above-mentioned considerations as to the system of purchase after 1950.

IX.—*Existing Conventions.*

It is agreed that nothing is to be changed in the existing conventions until 1950; but it must be remarked that they are eleven in number, and it is highly recommendable that all the clauses actually in force be united in one convention to prevent difficulties of interpretation and execution—already numerous and annoying.

X.—*Exemptions.*

The exemptions demanded for the new lines are accepted in conformity with the existing conventions. Exceptions must only be made as regards to the navigation on the Lake Eghirdir, otherwise this will form an important cause of monopoly against other transporters.

[49253] No. 72.

Sir L. Mallet to Sir Edward Grey.—(Received October 29.)

(No. 526.)
(Telegraphic.) *Sophia, October 29, 1913.*

FRENCH negotiations.

French Ambassador tells me that, although not finally concluded, negotiations connected with 4 per cent. increase are far advanced.

He is insisting on formal admission of right of consular intervention on arrest of French subjects, about which he is having some difficulty.'

Djavid told his Excellency that the negotiations with Great Britain were not yet concluded, as we were constantly making new conditions.

[49263] No. 73.

Sir L. Mallet to Sir Edward Grey.—(Received October 29.)

(No. 528.)
(Telegraphic.) *Constantinople, October 29, 1913.*

YOUR telegrams Nos. 484 of 18th October and 490 of 22nd October.

According to copy which Italian Chargé d'Affaires has confidentially shown to member of this embassy, "Contrat d'Études" dated 17th August is for preliminary survey for railway concessions in the region situated between Mersina Railway, Anatolian Railway, and Smyrna Railway, and also for port in Gulf of Adalia, preliminary survey to be completed within a year, and final plans, &c., within four years from 17th August. Ottoman Government being free to reject plans, &c.

Document is thus a vague one, and in no way binds the Ottoman Government.

His Majesty's consul-general at Smyrna reports three Italians, among whom was Conlan, travelled last month viâ Sparta, Buldur, and Egirdir to Adalia, surveying the country. He adds that Conlan is now at Adalia, studying question of short narrow gauge from there, direction not yet ascertained.

[48899] No. 74.

Sir Edward Grey to Sir L. Mallet.

(No. 502.)
(Telegraphic.) R. *Foreign Office, October 29, 1913.*

YOUR telegram No. 522 of 27th October.

I entirely agree with your views in paragraphs 2 and 3.

Possibly Mr. Weakley might act as British representative, and Minister of minor Power or neutral consular judge as arbitrator. I should like your views on this point before submitting definite proposal to Hakki Pasha.

[48213] No. 75.

Sir Edward Grey to Mr. Dering.

(No. 261.)
Sir, *Foreign Office, October 29, 1913.*

THE Italian Chargé d'Affaires made a communication to Sir E. Crowe on the 20th October, which, he said, he had been instructed to make to me personally, and which he therefore begged Sir E. Crowe to bring to my notice. It was on the subject of the Smyrna-Aidin Railway and Italian projects in Asiatic Turkey.

The Italian Government, he said, were most anxious to continue in the policy of friendly co-operation with England. They earnestly hoped that such co-operation

would materially benefit the interests of both countries in the Mediterranean. Italy was determined to embark on great schemes of commercial and industrial expansion, and to create Italian interests where they did not already exist in the Eastern Mediterranean. In this she counted on active British support. If Italy were to find England unwilling to go with her in these matters she would be grievously disappointed, and the effect on the sentiments of the Italian people would be grave.

Sir E. Crowe said to Prince Borghese that, in answer to these exceedingly vague statements, he could only assure him that England's policy always was, and would continue to be, in favour of the spread of commerce and industrial undertakings in every part of the world, because we believed that trade was one of the most beneficient influences in the development of civilisation and good-will among nations. But it would be more useful if the Italian Government could tell us with a little more precision what exactly they wanted us to support them in. What were their plans and designs? There was, Sir E. Crowe knew, the projected Italian railway from Adalia. We had already informed the Italian Government that we had no desire to stand in the way of Italian railway or other concessions, provided these did not infringe prior British rights and claims. Sir E. Crowe told Prince Borghese of the instructions sent to you on the subject.

Prince Borghese said he was himself ignorant of what practical measures his Government wished to promote. The Marquis Imperiali would, on his return to London, be charged to discuss more fully the whole question of Italian policy and plans in the Mediterranean. Meanwhile, the Italian Government felt convinced that there was no real conflict between the Italian schemes and the Smyrna-Aidin Railway. Sir E. Crowe strongly urged that the discussion would become more fruitful if either Prince Borghese or the Ambassador could tell us exactly what was the concession they had obtained from Turkey. Unless it could be examined, it was impossible to say whether it conflicted with British rights or not.

Prince Borghese promised to report what Sir E. Crowe had said to his Government.

I am, &c.
E. GREY.

[49302] No. 76.

India Office to Foreign Office.—(Received October 30.)

Sir, *India Office, October 29, 1913.*

IN continuation of this Office letter of the 6th September, forwarding copy of a telegram from the Government of India, dated the 5th idem, regarding relations with Ibn Saud, Ameer of Nejd, I am directed by the Secretary of State for India to forward copy of a further telegram which has been received on the same subject, and in which the desirability of securing the early withdrawal of the Turkish garrison from El Katr is urged.

The Marquess of Crewe concurs with the Government of India, but he apprehends that, until the Anglo-Turkish conventions have been ratified, it may not be possible to press the Turkish Government in the matter. He trusts, therefore, that ratification will not much longer be deferred.

I am, &c.
T. W. HOLDERNESS.

Enclosure in No. 76.

Government of India to the Marquess of Crewe.

(Telegraphic.) P. *October 26, 1913.*

PLEASE see my telegram regarding Katr, dated the 11th ultimo.

The Resident in Persian Gulf telegraphs:—

"On my return from tour I found Ibn Saud's reply, dated the 27th ultimo, saying that in second week of November he will be coming south again, and would like to have an interview. With this meeting in prospect, he says he will not discuss details at present, and will take no action in the interval which would be likely to run counter to Government's wishes.

"As Bin Saud has given this assurance, the expediency of pressing Ottoman Government to withdraw garrison from the peninsula will perhaps be considered by Government. We cannot rely on the good faith of the authorities at Basra in this matter, and if the garrison is not withdrawn by time Bin Saud meets me, neither he nor the Sheikh Abdullah will find it easy to treat seriously the intimation which I gave the latter on this subject."

It is, we agree, desirable that the withdrawal of the Turkish garrison from Katr at an early date should be secured if possible.

[49298] No. 77.

India Office to Foreign Office.—(*Received October 30.*)

Sir, *India Office, October 29*, 1913.

I AM directed by the Secretary of State for India to forward, for the information of the Secretary of State for Foreign Affairs, copy of a telegram that has been received from the Government of India regarding the succession of Seyyid Taimur to the Sultanate of Oman.

The policy of His Majesty's Government in such matters is to recognise the *de facto* ruler, and though, in ordinary circumstances, there might be some advantage in deferring recognition until the power of the new ruler to maintain his position has been demonstrated, the peculiar conditions of Oman at the present moment appear to render such a course undesirable.

As, therefore, the Government of India are satisfied with the undertakings given by Seyyid Taimur, the Marquess of Crewe proposes, with Sir E. Grey's concurrence, to authorise the immediate recognition of his succession.

The desirability of making new conditions with regard to arms traffic, customs, and other matters can be considered in connection with the question of renewing the Sultan's subsidy.

I am, &c.
T. W. HOLDERNESS.

Enclosure in No. 77.

Government of India to the Marquess of Crewe.

(Telegraphic.) P. *October 20*, 1913.

THE following telegram regarding the succession to Muscat Sultanate received from Resident in Persian Gulf:—

"The present change differs considerably from previous instances; Taimur had been practically treated by us as heir apparent before Sultan Faisal died. On the 6th instant I reached Muscat, and paid the Al Bu Saeed family unofficial visit of sympathy same day. There were present all Seyyid Faisal's sons, also Mohammed bin Turki's, but the latter was not present himself. My visit was returned by the family on the 8th, and on that occasion official communication of Viceroy's message of condolence was made. At this visit neither Mohammed bin Turki nor his sons were present. Taimur's brothers then informed Political Agent and myself, in Taimur's presence, that they agreed that he should succeed, and promised to support him loyally. On the 9th a formal assembly of the most prominent inhabitants and retainers was held, at which Taimur installed himself, issuing thereafter an identic letter to the representatives of foreign Powers, informing them that, as his late father had directed, he had assumed the reins of government, and requesting them so to inform their Governments. At our meeting on previous day I had told Taimur that I thought he ought to address to the British Agent a supplementary statement to effect that he realised that he could not maintain his position without moral and material support of Great Britain, and ask the Political Agent to assure Government that he assumed all the obligations by which his father had been bound to Great Britain; that he intended to maintain the policy followed by his father in regard to the arms traffic and other questions, and undertook (without, of course, prejudice to his independence) to ask for and be guided by our advice in all matters of importance; that, in conclusion, he trusted that Government would strengthen him for the difficult task he had to face by recognising him officially

as soon as possible. So far as Government was concerned, recognition would naturally be followed by continued payment of subsidy which his father received. In present circumstances clearly no useful purpose would be served by consulting the tribes, as more than half Oman is disloyal, the rebels claiming to have set up a new dynasty with the pretender Imam at its head. If, therefore, he wrote a letter such as I had sketched—and this he said he was willing to do—I intended to recommend to Government forthwith, without requiring any conditions besides the general undertakings already mentioned, that we should be given authority by telegram to communicate Government's recognition of him, and to continue to pay him the subsidy as usual, provided no important change of policy in connection with his father's death was in contemplation.

"Taimur first replied by letter couched in unsuitable terms, under bad advice given him, I fancy, by his relatives. This letter I refused to accept. From the 9th October to the 12th we discussed patiently the wording of the letter, and there was only one point outstanding for settlement when the incident described in my telegram immediately following occurred. Since then Taimur has sent a letter suitably worded."

The incident to which Cox refers was as follows:—

Ali Musa was allowed by Taimur to remove from the warehouse certain ammunition in violation of the rules; but the ammunition has since been recovered and put back in the warehouse, and an apology has been received from Seyyid Taimur.

The undertakings now given by him are, we think, sufficient, and we trust that His Majesty's Government will authorise us to instruct the Resident to tell Seyyid Taimur that he is recognised by Government as his father's successor. We agree with Sir P. Cox that it is important in present circumstances that we should strengthen Taimur's position by recognising him with least possible delay.

We will consider as separate question continuance of subsidies.

[49253] No. 78.

Sir Edward Grey to Sir L. Mallet.

(No. 504.)
(Telegraphic.) *Foreign Office, October 30*, 1913.

YOUR telegram No. 526 of 29th October.

It might be as well to mention to your French colleague what our position is respecting ports of Samsoun and Trebizond, so as to avoid any misunderstanding on part of French Embassy.

Djavid's remark is of course quite inaccurate; the only reason why our negotiations respecting customs increase are not yet concluded is Turkish delay concerning navigation concession, which is causing us increasing embarrassment, and the delay in Turco-German negotiations. Our "new conditions" have no reference to customs increase, but have only been made in consequence of Turkish desire for our assent to octroi and monopolies.

[49518] No. 79.

Mr. Lynch to Sir Edward Grey.—(*Received October 31.*)

Dear Grey, 33, *Pont Street, London, October 29*, 1913.

YOU may remember that on the 1st, and again on the 6th, May last I wrote to you, asking for a personal interview concerning matters which, while they concerned important British interests in the East, closely affected the commercial interests with which I am connected. You replied, on the 3rd May, expressing your inability to see me owing to pressure of work, and, on the 8th May, after I had proposed to defer the interview until the pressure had been relieved, to the effect that the matter was not one on which you could give me a personal interview, but that it would always be arranged that I should communicate what I had to say to an official in your Department who would be fully conversant with the matter. From that date up to the present time, I have consistently followed the course prescribed by you. Up to the end of June

I had several interviews with the officials of your Department and of the Board of Trade, some at their request and others at mine. After my negotiations with the Board of Trade had broken down, I asked Mr. Capel Slaughter, with whom I was not previously acquainted, but on whose judgment and wide knowledge of business I had been assured I could rely, to read all the papers and give me the benefit of his advice. As a result, Mr. Slaughter saw your private secretary on the 9th July. He submitted that, however unknowingly, it seemed to him that a grave injustice was being done to us, which we could hardly be expected to sit down under; that we could not be asked to accept from Lord Inchcape what he chose to give us; and that we were willing to associate with us in the administration of the affairs, a gentleman having long official relations with the British Government. He added that he was not there for the purpose of creating trouble, but to see whether, if we sat down with willing minds to arrange a consortium with Lord Inchcape, the desired result could not be attained. Since that date Mr. Slaughter has conducted the negotiations with the officials of your Department, at their desire, as I understand. Yesterday he asked for an interview with them, with the object of conferring upon the results of the interview which took place between Lord Inchcape and myself on the 27th instant; and he desired to bring me with him, I think for obvious reasons. He has been informed that I could not be received, and that it would be preferable that any communications with him should, in future, be conducted in writing.

Under these circumstances, he and I have agreed that the best course would be for me to communicate with you direct. I enclose a memorandum, which Mr. Slaughter has independently prepared, setting out, as briefly as possible, the outstanding facts of the case. Having regard to your letters of the 3rd and 8th May, I should not now trouble you had I not exhausted my resources with your Department. In addition to Mr. Slaughter, I may add that I have sought the advice of only one other person—a gentleman having long official relations with our Government, whose name was mentioned by Mr. Slaughter at his interview with your private secretary on the 9th July. This gentleman visited your Department on the 21st instant, but found himself unable to advance matters further.

The long gap in the active negotiations from the close of July to the 8th October, the date of my first interview with Lord Inchcape on the basis of my proposals of the 13th August, has been due to the protracted absence of Lord Inchcape in the north of Scotland. Since Lord Inchcape's acceptance, early in September, of those proposals of mine, subject to some qualifications which were not mentioned, but which he said he would like to discuss with me, I have been continually pressing for the memorandum which he promised at the same time, but which I have not even yet received. The vital interests of the British Company which I represent have, during all this time, been in suspense. With the exception of two separate weeks, I have been kept in London all the summer and autumn in the hope that any day I might be able to arrive at a settlement which, while conforming to your views, would safeguard the interests which I represent, and bestow upon them a reasonable share in the development of a commerce which we have created. Nobody could be more anxious than myself to arrive at a reasonable arrangement with Lord Inchcape and to avoid any unpleasantness in the future. As this is a question in which the British Government have intervened, and have requested me to leave the decision in their hands, I think I have established a claim to their good offices for securing considerate treatment.

It is evident that, now that the Germans have been conceded a share in the proposed new company, the scheme has taken a shape similar to that contemplated in the Turkish proposals of March of this year, transmitted to me by the Deutsche Bank, and by me to you, in which I was to provide the British share. You asked me not to commit myself, but to give your Department time to think the matter out, and they ultimately rejected those proposals. Though Lord Inchcape has now been put in my place by the direct action of the Department, and the Germans have been brought in, I am willing to abide by my proposals of the 13th August; but surely it is only fair that I may be allowed to ask that the qualifications of them should be restricted to matters of detail.

Yours sincerely,
H. F. B. LYNCH.

Enclosure in No. 79.

Memorandum by Mr. Slaughter in relation to the proposed New Ottoman Company (hereinafter called the Ottoman Company).

THE Euphrates and Tigris Steam Navigation Company (Limited) (hereinafter called the British Company) and La Société des Transports fluviaux en Orient (hereinafter called the Belgian Company).

THE real difficulty arises because Lord Inchcape claims the concession of the Ottoman Company as his own property to do with what he likes in his uncontrolled discretion.

Mr. Lynch was told that, while Lord Inchcape would be the concessionnaire, he (Mr. Lynch) was invited to negotiate on the basis of Sir Edward Grey's proposals of the 19th May, 1913. (Copy herewith.)

Those proposals expressly stated that on certain conditions the Foreign Office would use their good offices to secure to the British Company (*i.e.*, Mr. Lynch's company):

1. The right to subscribe a substantial portion of the British share of the capital of the Ottoman Company.
2. A seat on the board of the Ottoman Company.
3. A working agreement between the Ottoman Company and the British Company.
4. A payment in cash or a certain number of fully paid-up shares in the Ottoman Company (in addition to any shares subscribed under No. 1 above) in consideration of the position of the Messrs. Lynch as pioneers in the navigation of the rivers.

On receipt of these proposals, Mr. Lynch saw Mr. Parker on the 21st May, 1913, with a memorandum which Mr. Lynch submitted as to his views of Sir Edward Grey's proposals. Mr. Lynch had in his original draft stated that the proposals might be construed as giving the control and management to outsiders, and that to bestow the control and management of such a concern to newcomers would be grossly unfair. Mr. Parker objected to this way of stating it, and particularly to the words "grossly unfair," and at his instance Mr. Lynch's memorandum was amended so as to read: "If the proposal involves the exclusion of Messrs. Lynch Brothers from participation in the local management, then it is, in our view, a wholly inadequate recognition of our existing position."

In Sir Edward Grey's proposals there is no mention of the Belgian Company at all. The Belgian Company had previously been formed by Mr. Lynch, in co-operation with the Deutsche Bank, to provide a fleet to handle the transport of material for the construction of the Baghdad Railway. The arrangements for the creation of this company had been communicated by Mr. Lynch to the Foreign Office prior to its formation; and so much alive were the Foreign Office to its importance that they asked and obtained from Mr. Lynch, without any consideration, but as a matter of courtesy, an assurance that his company would not part with their interest in the Belgian Company, except after ample notice to the Foreign Office (see letter of the secretary of the British Company to the Foreign Office under date the 7th August, 1912).

At the date of Sir Edward Grey's proposals, Germany had renounced her right to participate in any share of the navigation of the rivers, so that the way appeared clear for the benefits of the navigation to be divided between Ottoman and British interests.

After considerable negotiation, and particularly after Mr. Slaughter had been consulted by Mr. Lynch and seen the Foreign Office, Mr. Slaughter was told by the Foreign Office on the 11th July that Mr. Lynch must either remain where he was or negotiate with Lord Inchcape on the basis of Sir Edward Grey's proposals of the 19th May. Mr. Lynch expressed his willingness to do so, provided that participation in the local management of the Ottoman Company and representation on the board were not ruled out of discussion. However, about this time Lord Inchcape left for Scotland. Accordingly, Mr. Lynch put forward his proposals of the 13th August (copy herewith), which were shown to Sir Edward Grey by Lord Ronaldshay on the 12th August.

Those proposals may shortly be summarised as follows:—

1. The creation of a separate firm for the "management"* of the undertakings of the Ottoman and British Companies, in which Lord Inchcape and Mr. Lynch would be equal partners.

* The proposals were accompanied by a separate memorandum defining "management."

2. Mr. Lynch to accept such proportion of the share capital of the Ottonian Company as would have the control of the Ottoman Company with Lord Incheape.

No reference is made to the Belgian Company, and the proposals were expressly stated to be based upon the Germans having abandoned any claim to participate in the navigation.

On the 2nd September, 1913, the Foreign Office notified Mr. Slaughter that the Lynch proposals of the 13th August had been submitted to Lord Incheape by Sir Edward Grey, and that Lord Incheape had replied that, "subject to some qualifications which he would like personally to discuss with Mr. Lynch, he (Lord Incheape) accepted Mr. Lynch's memorandum of the 13th August 'as a basis for the fusion of our respective interests in the management of the two concerns,'" and had suggested that he (Lord Incheape) should instruct his lawyers to prepare a memorandum for joint discussion.

Not only does Lord Incheape, in his acceptance of Mr. Lynch's proposals of the 13th August, not say one word about the Belgian Company, but he expressly refers to "the two concerns," viz., the Ottoman and British Companies.

The matter of the Belgian Company was mentioned at the interview which took place at the Foreign Office on the 8th September, when Mr. Slaughter met Lord Incheape, who had unexpectedly come up from Scotland on private business, Mr. Alwyn Parker, and Lord Incheape's solicitor.

Mr. Slaughter was careful on that occasion to point out that Mr. Lynch's proposals said nothing about the Belgian Company, and also that Lord Incheape's acceptance of the principle of Mr. Lynch's proposals of the 13th August not only did not say anything at all about the Belgian Company, but expressly referred to "the management of the two concerns," namely, the Ottoman Company and the British Company, and that he (Mr. Slaughter) had no authority to bind Mr. Lynch in connection with the suggestion of including the Belgian Company.

It was then agreed that the memorandum Lord Incheape had suggested his solicitors should prepare should be drawn up. At a meeting which, with the approval of Lord Incheape, Mr. Slaughter had with Lord Incheape's solicitor on the 17th September, the first rough draft of this memorandum was submitted to Mr. Slaughter, and there was no mention in it of the inclusion of the Belgian Company.

No other draft of this memorandum has been submitted to Mr. Lynch or Mr. Slaughter.

Owing to Lord Incheape's protracted absence in Scotland, Mr. Slaughter saw Sir Eyre Crowe at the Foreign Office on the 19th September with a view to learning something about the concession to the Ottoman Company, and although the reply was that we must learn the terms of the concession from Lord Incheape, Sir Eyre Crowe, in a confidential letter of the 23rd September, forwarded to Mr. Slaughter the Turkish declaration governing the concession to be granted by the Turkish Government to the British Government.

It is quite understood that that was a confidential communication, and also that Mr. Lynch was in the same confidence to be informed that it was proposed to let the Germans take up one-third of the Turkish share, appoint one director on the board of the Ottoman Company, and possibly have some additional small share independently, the object being to commit them to the support of the scheme.

This put into definite terms what had been rumoured some time before, that, although the Germans had in the early part of the year renounced participation in the river navigation, they were now claiming it again, and were going to get it.

Matters remained upon this footing until, on the 8th October, Lord Incheape and his solicitor, Sir Harry Johnstone, met Mr. Lynch and Mr. Slaughter.

Lord Incheape's proposal to Mr. Lynch on that occasion may be briefly summarised as follows:—

1. The management firm to be a private company and to have the management not only of the undertakings of the Ottoman and British Companies, but also of the Belgian Company.

Lord Incheape and Mr. Lynch to be equally interested in the management firm, and to be the two directors of it.

2. On the basis of the capital of the Ottoman Company being 100,000*l*., 50,000*l*. would go to the Turks, and of the balance (to be subscribed in cash) Lord Incheape offered to the British Company the right to subscribe in cash for 30 per cent. say 15,000*l*.

Lord Incheape mentioned that he would not keep the whole of the balance of

70 per cent. himself as he had to deal with "other parties." The "other parties" were not defined, but Mr. Lynch and Mr. Slaughter assumed that they included the Germans, but not exclusively.

3. Lord Incheape to be elected a director of the British Company, and Mr. Lynch to be elected a director of the Ottoman Company.

Such a proposal is very different from either Sir Edward Grey's proposal of the 19th May or Mr. Lynch's proposals of the 13th August.

Taking one point alone from Sir Edward Grey's proposal, there is no provision in Lord Incheape's proposal that Mr. Lynch's company or Mr. Lynch himself should have either "cash or fully paid-up shares in the Ottoman Company," in addition to the shares to be subscribed in cash in that company (see clauses 1 and 4 of Sir Edward Grey's proposal).

At the outset of the negotiations it was stated by the Foreign Office that the British Company should be entitled to subscribe one-third of the British half of the cash shares in the Ottoman Company, while it subsequently transpired after the 13th August (the date of Mr. Lynch's proposals) that 40 per cent. thereof had been in the minds of the Board of Trade. This was all previous to the admission of the Germans to any shares—British or Ottoman—and quite irrespective of any cash or fully paid share. See paragraph 4 of Sir Edward Grey's proposal.

There is also the inclusion of the Belgian Company, which is not included in Sir Edward Grey's proposal, nor in Mr. Lynch's proposal.

Lord Incheape, indeed, now makes it a condition of negotiating with Mr. Lynch upon the basis of Sir Edward Grey's proposal, that Mr. Lynch should throw into the management company the management and emoluments of the Belgian Company. In other words, he imposes on Mr. Lynch, as a condition precedent to negotiation, a new and onerous term, in addition to those contained in Sir Edward Grey's proposal.

Mr. Lynch is prepared to throw in the management of the Belgian Company, but to ask him to throw in emoluments as well is to ask him personally to give up all participation which he now has in those emoluments. The position with regard to them is this: they amount roughly to 2,000*l*. a-year, and they belong to Mr. Lynch's firm, under whose regulations he personally takes one-half, or 1,000*l*.

If they were now to be thrown into the proposed new management company, that company would take the 2,000*l*., Mr. Lynch's share of which would then only be one-half, which half would be exactly that he would have to account to his partners for, so that Mr. Lynch, in effect, by throwing the emoluments of the Belgian Company into the new management company, would personally be depriving himself of any emoluments for its management.

Mr. Lynch is in accord with Sir Edward Grey and Lord Incheape in thinking it desirable that the management of the Belgian Company should be included in the management company, but he objects to that being done at his expense unless Lord Incheape can also throw into the management company something which will compensate Mr. Lynch for the loss he will sustain by throwing in the Belgian Company. Mr. Lynch thinks that that could be done by some concession being made by Lord Incheape in regard to the transhipment of downward cargo to ocean steamers; but the amount of the emoluments from this source would have to be ascertained, and it is to be noted that the emoluments from the Belgian Company are to continue until it is dissolved by mutual consent between the parties who created it.

If Lord Incheape will make that or a similar contribution, and concede to Mr. Lynch the right to subscribe for 49 per cent. of the British share in the capital of the Ottoman Company with equal representation on the board, it ought to be possible to reach an agreement, which agreement will, of course, provide that the extent to which anything is to be surrendered to the Germans out of the British share of the capital of the Ottoman Company shall be contributed rateably by Lord Incheape out of his 51 per cent., and by Mr. Lynch out of his 49 per cent.

Mr. Lynch's proposals of the 13th August were designed to enable the British Company, while conforming to the conditions laid down by Sir Edward Grey's proposals, to expand in the future as in the past; but if the view be held that the Ottoman Company is Lord Incheape's own property, and that the emoluments arising therefrom, mainly out of local management, belong exclusively to him, then it would seem that the basis for negotiation no longer exists, and that Mr. Lynch's proposals of the 13th August (accepted in principle by Lord Incheape) are now put on one side, and with them any recognition of the position of Messrs. Lynch as pioneers in the navigation of the rivers.

This memorandum is prepared to demonstrate the justice of Mr. Lynch's contentions with the view to Sir Edward Grey exerting his influence to secure their recognition.

W. CAPEL SLAUGHTER.

October 30, 1913.

Sir Edward Grey's Proposals of May 19, 1913.

Mr. Lynch can be informed that while it is not possible to arrange that his firm shall be the concessionnaires or the managers of the new Ottoman Company, His Majesty's Government will use their good offices to secure that:—

1. A substantial portion of the British share of the capital of the new company shall be offered for subscription by the Euphrates and Tigris Navigation Company.

2. Mr. Lynch shall be offered a seat on the board of directors.

3. The new company will be prepared to conclude a reasonable working agreement with the Euphrates and Tigris Navigation Company.

4. In consideration of the position of Messrs. Lynch as pioneers in the navigation of the rivers, they (or the Euphrates and Tigris Navigation Company) shall receive a payment in cash or a certain number of fully paid-up shares in the new Ottoman Company, in addition to any shares subscribed under 1.

The above is strictly conditional on—

(1.) Satisfactory guarantees being given to His Majesty's Government that the Euphrates and Tigris Navigation Company will remain permanently under effective British control; and

(2.) A clear understanding that Messrs. Lynch and the Euphrates and Tigris Navigation Company are not to look for any support by His Majesty's Government to any claim on their part for more extensive rights of navigation on the rivers than those which they practically exercise at present, defined as follows:—

(*a.*) Two steamers flying the British flag shall continue to navigate the Rivers Tigris and Euphrates, and to participate in the general right of navigation of the Shatt-el-Arab.

(*b.*) One steamer flying the British flag shall be held in reserve to replace either of the aforesaid steamers during disablement.

(*c.*) The two steamers actually plying shall be at liberty, as heretofore, to tow two barges each.

(*d.*) One steamer flying the Turkish flag, but placed under the direction of Messrs. Lynch or their nominees, shall be at liberty to navigate concurrently with the two steamers specified above, and likewise to tow barges.

Mr. Lynch's Proposals of August 13, 1913.

In order to make clear the proposal which will follow, it must be borne in mind that companies of this character are governed by a board of directors, and are locally managed by agents, who take commissions on the earnings of the company, supplying in return the requisite local staff, &c., and giving the company the benefit of any commercial connections which they may possess. The word "management" used below applies to such local agents.

We contend that, in view of the lengthy negotiations which, with the full support and approval of the Foreign Office, we have undertaken during recent years for the purpose of obtaining control over the Turkish steamers, we are entitled to be now given such control with the management. I should, however, be prepared, provided always that the German Government can be persuaded to acquiesce in the creation of the monopoly which, I understand, is not to be created without their consent, to recommend to my colleagues that we should share with Lord Inchcape the management of the new Ottoman Company, and that we should also share with him, in future, the management of the British steamers. A separate organisation would be created for the management of both concerns, both in London and in the East. This organisation would take the form of a new firm, distinct from the firm of Lord Inchcape and from my firm, and Lord Inchcape and his friends, and myself and my friends would be equal partners in the new firm. Great economy would thus be ensured in the administration of the two steamship services on the Tigris, which, though they would remain distinct, would be

managed by the same firm. For instance, instead of two highly-paid managers, with their European and native staffs, the one administering the new Turkish Company and the other the British Company, there would, in future, be only one such manager and staff for the two services. The same would apply to London. All the commissions for the management of both lines of steamers would be taken by the one firm, in which Lord Inchcape and his freinds would have a one-half share. Besides securing economy in administration, this proposal would go far towards protecting the interests of the British Company. The new managing firm would have at heart the interests of the British Company, since they would take all the commissions arising out of its management.

If the British Company are to be restricted in the future to the use of three steamers, their only hope of sharing in the traffic, as it expands, will lie in participation in the new Ottoman Company. But it is also essential that they should have an effective voice in the new company. Equitably, they have established their claim to controlling it. If this claim is not to be satisfied, I should be prepared, as part of the proposal, to recommend that they should agree to accept such proportion of the share capital of the new company as would be compatible with the exercise of control by Lord Inchcape. Representation on the board would be equal, as between Lord Inchcape and the British Company, subject to the casting vote remaining in Lord Inchcape's hands.

It is obvious that this proposal is very favourable for Lord Inchcape. He is a stranger to the navigation, obtains more than one-half of the British share in the capital of the new Ottoman Company, and one-half of the commissions from its management. He also obtains one-half of the commissions in the management of the present British Company. He is thus endowed with a very considerable new source of income.

H. F. B. LYNCH.

August 13, 1913.

[49535] No. 80.

Sir L. Mallet to Sir Edward Grey.—(Received October 31.)

(No. 532. Confidential.)
(Telegraphic.) *Constantinople, October* 31, 1913.

CRAWFORD tells me that Talaat is determined that reforms shall be real. He is equally determined to resist their imposition by the Powers, but Crawford is convinced that he would listen to and probably adopt suggestions made by the Powers unofficially and privately. I gathered that it is largely a question of form.

Turkish Government propose to ask him to be president of informal commission to advise them about their own reforms scheme.

He feels that he could not refuse, as there are many economic and financial questions involved.

Proposal seems to be an excellent one, as the Turkish Government have complete confidence in Crawford and are disposed to accept his recommendations offhand.

[49370] No. 81.

Sir Edward Grey to Sir L. Mallet.

(No. 506.)
(Telegraphic.) R. *Foreign Office, October* 31, 1913.

YOUR telegram No. 518 of 25th October.

Six more days have elapsed, and Hakki Pasha is still without instructions respecting the river concession.

Lord Inchcape strongly suspects that Mr. Lynch has mobilised Turkish opinion against concession, through Djavid Bey or otherwise.

You should renew representations to the Grand Vizier, informing his Highness that His Majesty's Government are at a loss to understand the delay in agreeing to this concession, which was initialled over ten weeks ago. They would be glad to know definitely whether it indicates an intention on the part of the Turkish Government to wreck the present negotiations.

Your Excellency should point out to the Grand Vizier that it is necessary to prepare public opinion in this country for the general settlement negotiated, that that settlement will not be regarded in all quarters as entirely satisfactory, and that, in order to ensure as favourable a reception as possible, it is necessary that negotiations, and especially that relating to river navigation, should be concluded as soon as possible.

[49302] No. 82.

Foreign Office to India Office.

Sir, *Foreign Office, October* 31, 1913.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 29th October in which you enclose a telegram, covering one from the British Resident in the Persian Gulf, from the Government of India regarding the desirability of securing the early withdrawal of the Turkish garrison from El Katr.

I am to state in reply that Sir E. Grey concurs in the concluding sentence of your letter, in which the hope of the Secretary of State for India is expressed that ratification of the Anglo-Turkish conventions will not much longer be deferred, but that this is dependent upon the conclusion of negotiations between the Ottoman Government and the Bagdad Railway Company, as, pending the conclusion of such negotiations, the Anglo-Turkish agreements cannot become operative.

Sir E. Grey is, however, far from convinced that there is such urgent and paramount necessity, suddenly arisen, of withdrawing at once from El Bidaa the Turkish garrison which has now been there since 1872. As soon as the convention with Turkey has been ratified and is operative, His Majesty's Government can ask Turkey to withdraw the garrison, should she fail to do so spontaneously; but in the meantime Sir E. Grey considers that it would be expedient that Sir P. Cox should be instructed to explain to Ibn Saud, who doubtless will be able to appreciate the communication, that effect will naturally be given to our agreement with Turkey within a short time of its ratification, and that His Majesty's Government expect ratification to take place before the end of the year.

I am, &c.
EYRE A. CROWE.

[47043] No. 83.

Foreign Office to Board of Trade.

Sir, *Foreign Office, October* 31, 1913.

WITH reference to the previous correspondence regarding the claim of Messrs. Robert Wönckhaus and Co. to compensation in connection with the red oxide industry in the island of Abu Musa, of which copies have been communicated periodically to your Department, I am directed by Secretary Sir Edward Grey to transmit to you herewith, to be laid before the Board of Trade, copies of further letters from the German Embassy and the India Office on the subject.[a]

It will be seen that Mr. Brown, the firm's representative, has now supplied particulars which, it is considered, should be taken as a basis for estimating the compensation to be paid to Messrs. Wönckhaus and Co. on account of the cancellation of their contract by the Sheikh of Sharga. Sir E. Grey presumes that such compensation might well amount to a sum less than that which the firm might have hoped to make if their contracts had been carried through in the most favourable conditions and without the slightest hitch, whereas Mr. Brown's figures appear to be calculated on the latter assumption. He considers, therefore, that it will be necessary to refer the question of the amount of compensation actually due to some independent tribunal possessing the business experience necessary to fix it.

I am accordingly to request that you will inform the Board of Trade that he would be grateful if they would cause the figures supplied by Messrs. Wönckhaus to

[a] German Embassy, September 12 [42511]; and Part XI, No. 379*; and Nos. 6 and 26; and India Office, October 15, 1913 [47043].

be examined, and furnish him with their views as to the reasonableness of the claim. Sir E. Grey would be glad to receive at the same time any suggestions which the Board may be good enough to offer as to the tribunal to which the fixation of the amount of compensation due should be referred.

I am, &c.
RALPH PAGET.

[49766] No. 84.

Mr. O'Beirne to Sir Edward Grey.—(Received November 1.)

(No. 375.)
(Telegraphic.) R. *St. Petersburgh, November* 1, 1913.

MINISTRY for Foreign Affairs enquire whether they may soon hope for explanations respecting Shatt-el-Arab Commission promised in your telegram No. 628, first paragraph.

(Repeated to Constantinople, No. 514.)

[49518] No. 85.

Foreign Office to Board of Trade.

(Confidential.)
Sir, *Foreign Office, November* 1, 1913.

WITH reference to previous correspondence respecting the navigation of the Rivers Euphrates and Tigris, I am directed by Secretary Sir E. Grey to transmit to you, to be laid before the Board of Trade, the accompanying copy of a letter from Mr. H. F. B. Lynch.[a]

Sir E. Grey proposes to cause the reply to be sent to Messrs. Slaughter and May, for transmission to Mr. Lynch, on the ground, amongst others, that confusion will arise if collateral communications on the same subject are carried on with the principal person and his several representatives. As the statements contained in Mr. Lynch's letter and in the memorandum therein enclosed are, in more than one instance, misleading and untrue, and as experience has shown that Mr. Lynch accepts silence in regard to any of his statements as acquiescence in their accuracy, Sir E. Grey proposes to state that, without entering into controversy, he cannot accept the accounts given in regard to the attitude or action of this Department either as complete or as entirely accurate.

The communication to Messrs. Slaughter and May would then proceed as follows:—

Sir E. Grey is at a loss to understand Mr. Lynch's present attitude towards, or Mr. Slaughter's language with reference to, the question of including the emoluments of the Belgian company in the proposed joint management company. Colonel Picot, in reply to a question put by Mr. Parker to that gentleman when he had called to discuss the proposals made by Mr. Lynch under date of the 13th August, categorically stated that he took it for granted that such inclusion would be arranged if an understanding were arrived at respecting joint management of Mr. Lynch's British company and Lord Inchcape's company. No mention was, at Colonel Picot's request, made of this statement on his part in the record of the interview. But, in order to preclude all possibility of misunderstanding, Mr. Parker wrote to Mr. Slaughter on the 2nd September, 1913, as follows:—

I am to add that Sir E. Grey considers that the management company should, if possible, have the management and emoluments consequent thereon, of the Société des Transports fluviaux (which is the company entrusted with the conveyance of the material for the Bagdad Railway) and that Lord Inchcape should participate equally with Mr. Lynch in those emoluments.

Sir E. Grey observes that Mr. Lynch now treats his own proposals of the 13th August as supplementary, in so far as his own advantage and that of the British company is concerned, to those put before him on the 19th May. The Secretary of State had, however, to this extent regarded the proposals made by Mr. Lynch in August

[a] No. 79.

as alternative to those made in May by this Department. As the latter proposals are admittedly more lucrative to Mr. Lynch than the former, he is not prepared to urge upon Lord Inchcape that the advantages of both proposals should be conceded to Mr. Lynch.

Sir E. Grey has, however, been in communication with Lord Inchcape on the subject, and he understands that his Lordship would be prepared to agree to an arrangement as follows:—

Assuming the capital of the new Ottoman company to be 100,000*l.*, one-half would be allotted to Turkish interests, and any German participation would have to be met by the allotment of Turkish shares.

The remaining half would be British, and Lord Inchcape would agree to 20,000*l.* being held by Mr. Lynch or the British company. Of this amount 5,000*l.* would represent fully paid shares, which would be received by Mr. Lynch or his nominee without payment, and 15,000*l.* would represent partly paid shares, to be subscribed for by Mr. Lynch or his nominee. Thirty thousand pounds, paid up in the same proportion as the last-named shares, would be held by Lord Inchcape and his nominees.

This arrangement is conditional on the joint management firm having the management of the Belgian company as well as that of the British company and of the proposed Ottoman company, and the emoluments of management of all three companies.

Lord Inchcape will also have the power of directing that the British shareholders of the proposed Ottoman company shall, should he deem it advisable, vote in block; and, as regards the joint management company, and in the unlikely event of disagreement, he would have the right to a casting vote. His Lordship would, as Mr. Lynch is already aware, further expect to have a seat on the board of the Euphrates and Tigris company.

Sir E. Grey wishes it to be clearly understood that a settlement on these lines (which, as regards Mr. Lynch's participation in the new Ottoman company, corresponds with the views of the Board of Trade as conveyed to Mr. Slaughter in Mr. Parker's letter of the 2nd September), represents the maximum of concessions which he is prepared to urge upon Lord Inchcape in favour of Mr. Lynch and the British company; that, in the event of Mr. Lynch being unable to accept this settlement, which is one which appears equitable and in the interests of British trade in general, he would then, though with regret, be compelled to advise Lord Inchcape to terminate negotiations with Mr. Lynch and to constitute the Ottoman company independently.

Finally, I am to state that the settlement suggested is strictly conditional on the two points indicated in the memorandum of the 19th May, to which the proposals then made were subject.

Sir E. Grey would be glad to be furnished at an early date with the observations of the Board of Trade on this draft letter, which has been written after consultation with Lord Inchcape, and which it is hoped need not be despatched pending the signature of the concession.

I am, &c.
EYRE A. CROWE.

[49815] No. 86.

Mr. O'Beirne to Sir Edward Grey.—(Received November 3.)

(No. 320.)
Sir, *St. Petersburgh, October 27, 1913.*

THE Russian Minister for Foreign Affairs returned from abroad on the 25th instant and received me yesterday. He said that the main object of his stay at Berlin had been to speak to the German Government on the subject of the projected reforms in Armenia. He had explained to Herr von Bethman Hollweg that Russia was deeply interested in this question on account of the large Armenian population within her borders. The scheme of reforms which had been agreed upon must be really carried into effect, and there must not be a repetition of what had occurred on previous occasions in Turkey, when from the moment a scheme of reforms had been agreed upon the process of setting it at nought had begun. The German Ambassador in Constantinople had shown himself ready to come to an agreement with M. de Giers in regard to the present scheme. It was now for Germany to assist in inducing, or if necessary obliging, Turkey to acquiesce in the reforms being brought into effective operation, and to use her influence with her allies to the same purpose.

The German Chancellor had expressed his willingness to act in the direction of Russia's wishes, and appeared fairly confident that Germany could succeed in inducing Turkey to acquiesce in the effective introduction of the projected reforms, but he had stipulated that Russia must leave to Germany "the choice of the methods" which she thought best calculated to achieve the end in view. To this stipulation M. Sazonof had assented, but he had insisted that the reforms must not be long delayed, and that they must be in operation at latest by the coming spring, since there would otherwise certainly be an outbreak or disturbance in Armenia with the melting of the snows.

M. Sazonof also had some conversation with the German Chancellor regarding the general attitude of Austria-Hungary and its effect on Russo-German relations. I report what his Excellency told me on this point in my immediately succeeding despatch.

I have, &c.
HUGH O'BEIRNE.

[50019] No. 87.

Sir L. Mallet to Sir Edward Grey.—(Received November 3.)

(No. 539.)
(Telegraphic.) R. *Constantinople, November 3, 1913.*

YOUR telegram No. 496 of 24th October.

I have received a note from Minister for Foreign Affairs stating that Minister of Public Works has no objection to option continuing for two months, but that he is most anxious to arrive as soon as possible at a definite solution of the question.

[50020] No. 88.

Sir L. Mallet to Sir Edward Grey.—(Received November 3.)

(No. 540.)
(Telegraphic.) R. *Constantinople, November 3, 1913.*

MY telegram No. 538 of 3rd November: River concession.

Minister of Public Works has just been to see me. He was full of the most friendly professions, and, I think, quite sincere. But it appears that he has several serious objections to concession, which is unacceptable in its present form.

I expressed my surprise and regret that he had not made them sooner. He apologised, and asked me to convey to you personally his great regret that he had been quite unable to give his attention to the matter owing to pressure of public business. His time has been entirely taken up first with questions relating to war, and then with French, Russian, German negotiations. He gave me the most categorical assurances that he intended to carry matter through, and that his objections were not due to any outside intriguing. I used every possible argument to induce him to waive his objections, but I believe they are genuine, and that it will not be advisable to refuse discussion. He will telegraph to Hakki Pasha to-morrow, and has promised to send full instructions by post on Thursday.

[49535] No. 89.

Sir Edward Grey to Sir L. Mallet.

(No. 509.)
(Telegraphic.) *Foreign Office, November 3, 1913.*

ARMENIAN reforms.

Your telegram No. 532 of 31st October.

If proposed informal committee offers a reasonable chance of getting Turkish Government to adopt and put forward as their own a scheme of reforms generally on the lines of the six points in Mr. Marling's telegram No. 486 of 26th September, with which His Majesty's Government are in cordial agreement, I should welcome Crawford's appointment as chairman.

If, however, object of Turkish Government is to fall back upon a totally different scheme of their own, probably of doubtful efficiency, to which neither Russia nor England would be likely to agree, his appointment might eventually prove a grave embarrassment.

[49766] No. 90.

Sir Edward Grey to Mr. O'Beirne.

(No. 731.)
(Telegraphic.) R. *Foreign Office, November 3, 1913.*

YOUR telegram No. 375 of 1st November: Shatt-el-Arab Riverain Commission.

Please inform Russian Government that, in deference to their views and in order to preclude all misunderstanding, I have now signed an additional declaration, of which you will find the text in my telegram No. 451 of 5th September to Mr. Marling.

In communicating this document to the Russian Government you should explain that, although I have adopted this course, I place full reliance on the co-operation of the Russian Government in securing, so far as Russian subjects are concerned, due observance of the regulations of the Commission and the payment of its dues. From the memoranda enclosed in your despatches Nos. 233 and 244 I assume that such co-operation will be afforded, but I should be glad to have definite assurances in writing.

(Repeated to Constantinople, No. 514.)

[50197] No. 91.

Sir L. Mallet to Sir Edward Grey.—(Received November 4.)

(No. 541.)
(Telegraphic.) R. *Constantinople, November 3, 1913.*

YOUR despatch No. 355: Hakki Pasha's proposals "Ottoman side" of the proposed declaration.

In view of the numerous controversies which have arisen as to the scope of the existing agreements, the draft article 3 appears to me too vague to provide bases for detailed negotiation. This applies especially to the question of the enlargement of existing institutions and the question of new ones. I would suggest an alternative draft on the following lines:— (End of R.)

"Le Gouvernement Impérial ottoman ayant la ferme intention de maintenir intacte la situation légale des institutions anglaises religieuses scolaires hospitalières et autres en Turquie, ainsi que les privilèges et immunités dont jouissent ces institutions, déclare qu'aucun changement n'y sera apporté. Pour ce qui est de leur aggrandissement et de la création de nouvelles institutions, les formalités à remplir seront exécutées en conformité de la procédure actuellement établie, et les additions et les nouvelles institutions ainsi créées jouiront des mêmes privilèges et immunités, notamment en ce qui concerne la franchise d'impôts et de taxes. Les démarches que l'Ambassade de Sa Majesté britannique se trouvera dans le cas de faire à l'égard de la Sublime Porte à cet effet recevront l'accueil le plus cordial, et toutes facilités seront accordées conformément aux principes approfondis ci-dessus."

(R.) This form would render it unnecessary to open immediate negotiations for detailed agreement. It would perhaps be better that we should not enter upon such negotiations until those between the Porte and the French Government have made further progress. In the meantime a declaration in form proposed above would secure in general terms all our more important desiderata.

If anything, alternative draft goes farther than what we should necessarily demand. It is important to allow no curtailment of the privileges of existing institutions, but we might perhaps make some concessions to the Porte in connection with exemptions on newly created institutions or enlargements erected on property not already enjoying immunity from real property tax.

(See correspondence about Church Missionary Society hospital at Bagdad and proposed hospital at Hebron.)

[50199] No. 92.

Sir L. Mallet to Sir Edward Grey.—(Received November 4.)

(No. 542. Confidential.)
(Telegraphic.) *Constantinople, November 4, 1913.*

MY telegram No. 539 of 3rd October: Trebizond and Samsoun ports.

Minister of Public Works told me last night that he is very anxious this concession should be British, and that he has most willingly agreed that the option shall run for two months from the approval of the plans, only modification which he has suggested being in the bank's interest, in order to make it financially easier for them to carry through.

He is, however, very apprehensive lest the bank should after all dispose of the concession to the French or some third party. He presumes that His Majesty's Government would agree with him in preferring that it should remain a British concession. I am aware that National Bank now consider themselves free to dispose of their assets as they like, but would it not be possible to get some undertaking from Cassels without mentioning Turkish Government, as the Minister spoke to me in the strictest confidence?

I am telegraphing separately about the prospects of establishment of a new British bank here.

[50203] No. 93.

Sir L. Mallet to Sir Edward Grey.—(Received November 4.)

(No. 544. Confidential.)
(Telegraphic.) *Constantinople, November 4, 1913.*

MY telegram No. 542 of to-day: Trebizond and Samsoun ports.

It seems important that these concessions should if possible remain in British hands, but, in view of the temptations which conceivably exist for their disposal to French syndicate who will construct and work Samsoun–Sivas and Trebizond–Erzeroum Railways, might not National Bank be notified that, in the event of cession of their rights being contemplated, His Majesty's Government would expect to receive an assurance that these concessions would only be transferred to a British company to be formed by Cassel?

[50020] No. 94.

Sir Edward Grey to Sir L. Mallet.

(No. 516.)
(Telegraphic.) R. *Foreign Office, November 4, 1913.*

YOUR telegram No. 540 of 3rd November.

The situation as between Lord Inchcape and Mr. Lynch is becoming so embarrassing that I should be glad if your Excellency could telegraph a full statement of the objections entertained, as if instructions are only sent to Hakki Pasha by post on Thursday there will be no prospect of signing concession this week. Yet I attach cardinal importance to this being done. Moreover, until I know Turkish attitude towards German participation in shares allotted to Turkey, I am impeded in my negotiations with Germany.

Your Excellency should impress upon Ottoman Government that, in present condition of money market, any material alteration of the terms of the concession would render it difficult to raise capital for the navigation company, while it is further to the interest of the Ottoman Government, as shareholders, not to make conditions of concession too onerous.

You should also dwell upon the financial advantage of interesting a business man of Lord Inchcape's standing and substance in the development of Asiatic Turkey.

[50248] No. 95.

*Sir Edward Grey to Sir E. Goschen.**

(No. 379.)
(Telegraphic.) *Foreign Office, November 4, 1913.*

I AM receiving constant proposals from the Turkish Government for the appointment of various British officials, already in their service in different departments, to new posts in Armenian provinces. I am reluctant to encourage any steps which might appear to involve isolated action on the part of His Majesty's Government

* Also to Mr. O'Beirne (No. 733).

in connection with the reform of Turkish provincial administration, and have therefore deprecated any new appointments of foreign officials being definitely created otherwise than in consultation with all the Great Powers. It is, however, clearly desirable that the question of Armenian reforms should not be allowed to hang fire. Since Russia and Germany have taken the lead in recommending to Grand Vizier the outlines of a scheme to be put forward by Turkey, with which His Majesty's Government are in entire accord, I trust the two Governments may take an early opportunity to urge the Porte itself to come forward with the proposals.

(Repeated to Constantinople, No. 515, and Paris, No. 392.)

[50657] No. 96.

Sir Edward Grey to Mr. Dering.

(No. 269.)

Sir, *Foreign Office, November 4, 1913.*

THE Italian Ambassador spoke to me to-day with emphasis of the desire of the Italian Government to see the integrity of Asiatic Turkey preserved. But he said that, as France, Germany, and Russia had all in one way or another sought for economic expansion or spheres of economic interest in Asia Minor, Italy also wished to have economic expansion. She was now asking for a concession for a port at Adalia and other things connected therewith. He could not see that it conflicted with the concession of the Smyrna–Aidin Railway, and he hoped that we would not oppose it.

I said that, if it did not conflict with the legitimate interests of the Smyrna–Aidin Railway, we would certainly not oppose it; but this railway was the only British railway in Asia Minor; it was, so to say, our ewe lamb, and we must see that its rights were protected.

I went on to say to the Ambassador that we had no other railway in prospect, unless the Bagdad Railway was continued beyond Basra to the Persian Gulf. It was there that we especially wished to safeguard our interests, and I took the occasion to mention that if any Power touched Arabia we should be concerned, because of the strong feeling in India about Mahommedan holy places. But neither the Persian Gulf nor Arabia were relevant to the question of the present Italian concession.

I am, &c.

E. GREY.

[50337] No. 97.

Mr. O'Beirne to Sir Edward Grey.—(*Received November 5.*)

(No. 379.)

(Telegraphic.) *St. Petersburgh, November 5, 1913.*

YOUR telegram No. 379 of 4th November to Berlin.

Assistant Minister for Foreign Affairs expressed thanks of Russian Government for your attitude regarding proposed appointment of British officers.

He informed me that Grand Vizier recently intimated to Russian Ambassador that Ottoman Government had objections to scheme of Armenian reforms suggested by the Powers, and his Highness put forward other proposals which Assistant Minister for Foreign Affairs told me would not afford any security of effective reform. Turkey proposed, amongst other things, to reserve to herself appointment of two inspectors-general, without stipulation as to the approval of the Powers. Russian Government had thereupon put themselves in communication with Berlin, with a view to finding formula which would preserve reality of reform while sparing susceptibilities of the Porte. They hoped to succeed, but it would take some little time.

As reported in my despatch No. 320, Minister for Foreign Affairs, when in Berlin, obtained assurances from German Government that they would assist in inducing Turkey to acquiesce in introduction of reforms.

[49995] No. 99*.

Sir Edward Grey to Sir F. Bertie.

(No. 663.)

Sir, *Foreign Office, November 5, 1913.*

M. DE FLEURIAU called on the 1st November to tell Sir A. Nicolson that according to recent information which his Ministry had received, the Italian Government were in active negotiations with Berlin as to the recognition of certain spheres of influence in Asia Minor, and as to Italy being permitted to retain one or two of the islands at present in her possession. Berlin would probably be not unfavourable to such an arrangement. The French Government were fairly sure that when the Triple Alliance was renewed a naval agreement was also concluded, and that an article was inserted regarding policy in Eastern Europe.

The Italians in their conversation at Paris, informal and preparatory conversations, regarding a possible Mediterranean agreement, have not mentioned the question of the islands, though they have touched upon the question of Asia Minor.

I am, &c.
E. GREY.

[50199] No. 98.

Sir Edward Grey to Sir L. Mallet.

(No. 517.)

(Telegraphic.) *Foreign Office, November 5, 1913.*

YOUR telegram No. 542 of 4th November.

I understand that the interest of the National Bank in these concessions is on behalf of a British firm of contractors, but I presume that apprehensions of Minister of Public Works have reference to subsequent management of ports rather than to construction, for Hakki Pasha has stated that his Government are anxious to establish some permanent British commercial interests on Turkish littoral of Black Sea.

If this is Turkish view I will seek an assurance accordingly from National Bank.

[50197] No. 99.

Sir Edward Grey to Sir L. Mallet.

(No. 518.)

(Telegraphic.) R. *Foreign Office, November 5, 1913.*

YOUR telegram No. 541 of 3rd November.

Detailed negotiations at Constantinople may be deferred as you propose.

[50440] No. 100.

Sir L. Mallet to Sir Edward Grey.—(Received November 6.)

(No. 547.)

(Telegraphic.) *Constantinople, November 5, 1913.*

YOUR despatch No. 334.

I saw Mallet in Paris; he said that the Ottoman Bank expect a large increase of business here and will possibly consider the issue of further capital, of which some might be taken up in London, and gave me an assurance that Nias willingly assisted British enterprise here. An opportunity may arise shortly of testing this assurance, as capital is required for Jackson's barrage works, and if the National Bank refuses and the manager applies to me, I propose to ask the Ottoman Bank to assist. As to the prospects of a purely British bank here, the commercial attaché thinks that there is certainly a field for legitimate banking business, and Crawford is strongly in favour of the enterprise. He assures me that a British bank is greatly needed and would find plenty of remunerative business.

Perhaps the best course would be to tell Sir John Jackson that Crawford is in the best position to give him information as to the prospects of a new bank, and that if he comes to an independent conclusion that such an enterprise would be remunerative, His Majesty's Government would be pleased on every ground to see the bank established.

[50424] No. 101.

Sir L. Mallet to Sir Edward Grey.—(Received November 6.)

(No. 549.)

(Telegraphic.) R. *Constantinople, November 5, 1913.*

YOUR telegram No. 379 of 4th November to Berlin.

Colonel Hawker is appointed chief of committee of inspection of gendarmerie for Armenian vilayets, to reside at Trebizond, with extensive powers. He has asked whether His Majesty's Government object to his accepting. I asked whether the appointment was of a temporary character, and he said there was nothing to indicate this.

I propose to inform him in the sense of your telegram No. 488 of 21st October.

[50483] No. 102.

Sir L. Mallet to Sir Edward Grey.—(Received November 6.)

(No. 552.)
(Telegraphic.) R. *Constantinople, November 6, 1913.*

YOUR telegram No. 517 of 5th November.

The Minister of Public Works stated to me this morning that he wished to see a permanent British interest established in the ports of Samsoun and Trebizond.

[50487] No. 103.

Sir L. Mallet to Sir Edward Grey.—(Received November 6.)

(No. 553.)
(Telegraphic.) *Constantinople, November 6, 1913.*

MY telegram No. 548 of 5th November.

I saw the Minister of Public Works this morning, who stated that the Government objections and criticisms of some of the articles of the convention had already been telegraphed to Hakki Pasha, and were now doubtless communicated to you. A further statement on the subject had been despatched to Hakki Pasha by yesterday's mail.

While declaring that he was animated by the desire to conclude the negotiations as rapidly as possible, he wished to conclude a convention which he could defend in Parliament, and he therefore found objection to certain articles which would require amplification or recasting.

The wording of article 2 was unsatisfactory, as there was no clause inflicting penalties in the case of non-execution of contract, and, further, the wording, especially with reference to obstruction caused directly or indirectly by the Government or officials, was strongly objected to.

Article 10, as it stands, might seriously affect irrigation scheme. Some words safeguarding this should be introduced.

Article 13: Some stipulation must be introduced regarding port dues at Bagdad, in accordance with the railway rights (see article 23, Bagdad Railway Convention).

Interests of Agha Jaffer and of others holding navigation permits must be safeguarded, as well as ferry services established by municipal and other bodies.

Provision respecting division of dividends as well as contribution to capital had not been clearly defined, and would lead to disputes in future.

Articles 18 and 30: Penalty for not adhering to table agreed to is so small that it might pay the company to raise the rate and pay the fine. There is, moreover, no provision for obliging the company to maintain a minimum service.

Minister of Public Works had no knowledge of negotiations with Germany, which were being conducted by Djavid in Berlin. He said that Djavid had telegraphed for copies of "various conventions, including Smyrna-Aidin Railway." I asked him again whether he was really desirous of concluding this agreement, and he asserted strongly that he was most anxious to do so.

[50488] No. 104.

Sir E. Goschen to Sir Edward Grey.—(Received November 6.)

(No. 192.)
(Telegraphic.) R. *Berlin, November 6, 1913.*

YOUR telegram No. 379 of 4th November: Armenian reforms.

Acting Secretary of State says he is doing all in his power to urge Ottoman Government to come to a decision, but that latter are making difficulties. He has spoken strongly to Djavid Bey. Latter said that Ottoman Government objected to selection by Powers of candidates for inspector-generalship on the ground that it would be interference with Turkish sovereign rights. On the ground of this objection, Acting Minister for Foreign Affairs is inclined to favour suggestion of Grand Vizier that inspector-general should be selected by the Sublime Porte and advisers chosen from persons nominated by the Powers, so long as guarantees are given as to the proper position of advisers and as to their advice being followed. Djavid Bey seems to have expressed some fears as to Russian intentions, but Acting Minister for Foreign

Affairs told him that M. Sazonof, when at Berlin, had given full assurances that Russia entirely shared Germany's views as to the maintenance of integrity of Turkish Asiatic Empire.

[50643] No. 105.

Herr von Kühlmann to Sir Edward Grey.—(Received November 7.)

(Confidential.) *German Embassy, London,*
Dear Sir Edward, *November 3, 1913.*

THE counter-draft to the British draft of the 18th September, 1913, which I had the honour to submit to-day, might require some confidential explanations, which I shall attempt to give in the following:—

In article 1, clause (*a*), we would prefer to say in the seventh line "construction of the Bagdad Railway system," because that would cover the main line and the branch lines granted by the concession, as they shall be finally settled between the German and Turkish Governments. The word "Railway" at the beginning of the ninth line of the English counter-draft to be replaced by "Undertaking."

Minute by Mr. Parker.

Provided it is expressly agreed, perhaps in the *note explicative* referred to by Herr von Kühlmann, that the drafting of article 1, clause (*a*), does not in advance preclude His Majesty's Government from opposing future variations of the concession, and provided His Majesty's Government are furnished with authentic copies of all existing agreements between the Ottoman Government and the Germans, including the modifications now under discussion with Djavid Bey, I do not think exception need be taken to the words "system" and "undertaking." It is, however, essential that His Majesty's Government should know precisely what they are asked to agree to.

There does not seem the same objection to leaving out these words from the convention if they are inserted in the *note explicative*, which might advantageously define their somewhat ambiguous meaning.

We would like the last part of article 1, beginning with "under" and ending with "this clause," to be transferred to the *note explicative*. Our legal advisers do not hold the opinion that by accepting this clause England would bind herself to support any future increase of Turkish customs because an increase might seem desirable in the interest of the Bagdad Railway, but we consider at the same time that it would, as would the spirit of this convention, prevent England from opposing existing revenue or increases of the customs, in principle already accepted by the Powers, being in part used for the Bagdad Railway.

I think this is an improved wording in which His Majesty's Government might certainly concur.

In clause (*b*), "declare that they will not oppose" might be replaced by "agree to."

Clause (*c*). The Imperial Government is quite willing to use its influence to see that British capital should be admitted to the Bagdad Railway Company under fair and reasonable terms. The clause would then read as follows:—

The original idea of securing the appointment of two British directors was to guard against discrimination in rates; subsequently the German Government pointed out that in practice this could only be arranged by such

"The Imperial German Government declare that they will use their best endeavours to secure that two British directors agreeable to His Britannic Majesty's Government shall be admitted

as representatives of a group of British shareholders to the Board of the Bagdad Railway Company."

The Imperial Government is of opinion that this clause might be left out altogether if a group of British shareholders can be formed before the signature of this agreement. As for the election of the British directors, I am glad to see that the arrangements suggested in Prince Lichnowsky's note are satisfactory to His Majesty's Government.

The German Government considers that clause (*c*), article 4, in its amended form should better be left out of the convention and put in the *note explicative*. If, however, His Majesty's Government could not agree to this, but insisted on retaining this clause in the convention, the Imperial Government would agree to this, provided the second section of clause (*c*), article 2, which, according to Prince Lichnowsky's note of the 16th July, 1913, was to be put in the *note explicative*, would be restored to the text of the convention.

The prospects held by Herr von Gwinner before Sir H. Babington Smith on the 14th June, 1913, were, to use a financial expression, ground-floor terms as favourable as could be offered at that period. The Bagdad Railway Company will try to obtain from the Turkish Government more favourable terms. Any concession which they might be able to secure will be offered as a matter of course to the British group.

In article 2, clause (*d*), the words "50 per cent" should be replaced by "not less than 20 per cent."

What Prince Lichnowsky said about our willingness to agree to a British participation of 40 per cent. is entirely maintained, but the Imperial Government attaches the greatest importance to this particular wording, and I would strongly recommend its acceptance.

directors representing British shareholders, and to this His Majesty's Government agreed.

I am, however, doubtful as to whether this text should be adopted. The words "as representatives of a group of British shareholders" appearing in the body of the convention appear to lend the official support of His Majesty's Government to active British participation in the Bagdad Railway—and such an attitude might, in view of the past history of the question, be difficult to defend.

It is indeed matter for consideration whether, as the German Government suggest, clause (*c*) of article 4 should not be left out of the convention and put in the *note explicative*. As very great importance is not, I believe, attached by the Board of Trade to the appointment of British directors at all (so far as discrimination against British trade is concerned) it might be best to omit all mention of such appointments even in the *note explicative*, thus leaving it open to British financiers to participate on their own terms as regards representation on the board. This would enable us to resist the German claim as embodied in the last paragraph of article 2, clause (*c*), and its insertion either in the convention or in the *note explicative*; that claim is one which the India Office are anxious should be resisted.

The expression "ground-floor terms" can seldom have been so flagrantly misapplied. Herr von Gwinner proposed to Sir H. Babington Smith, as regards British participation, terms far less favourable than those conceded to the Bagdad Railway Company by their convention of 1903. It was this which prompted the remarks in the British note of 18th September, and in the reply these considerations should be emphasised. At the same time it is true that, owing to the war and other causes, the 1903 concession is financially less attractive than it was at the date of signature.

Instead of 50 per cent. in the port of Basra, we are offered "not less than 20 per cent.," which includes participation in the construction contracts "if any." The expression "not less than 20 per cent." is retained merely to confuse the German public into believing that there is a parallel between article 2, clause (*d*), and article 4, clause (*b*), but it is explained that Germany is still willing in point of fact to let us have 40 per cent. His Majesty's Government gave good reasons for asking for a 50 per cent. participation in their note of the 18th September. If now His Majesty's Government agree to 40 per cent. they might well only do so on condition of British participation in the port of Bagdad as well as in that of Basra. Lord Inchcape considered participation in Bagdad valueless; but the point merits fresh consideration as opportunity for such participation now arises again, and in any case His Majesty's Government should stipulate against discrimination as between vessels of different nationality at the railway port of Bagdad.

It is true that this is not primarily a matter for an Anglo-German convention; but there is, nevertheless, some advantage in securing the German Government's assent to such a stipulation and for this reason it seems well to retain it.

I do not think we can safely agree to the geographical definition, even if the Aleppo-Meskene question is settled. We could hardly mortgage the future as regards any line from the Mediterranean to Lower Mesopotamia; and, as it is, I think we should attach to the convention a map showing the limits of Bagdad and Mosul. As regards the words "or in contradiction with that company's existing rights," I think we might agree to them subject to a satisfactory settlement of the Mesopotamian oil question.

As 20 per cent. is the maximum we could agree to as regards German participation in the river navigation (article 4, clause (*b*)) it seems undesirable and indeed deceitful to adopt the wording "not less than" with regard to such participation. It would ultimately have to be explained in Parliament what the real understanding was, and it thus seems useless to adopt a wording which is not straightforward in the convention. Herr Zimmermann is, I understand, the devoted parent of this ridiculous "parallelism."

It is of great importance that we should secure a time limit; but it seems that we should now first aim at an arrangement as contemplated in the last paragraph of article 4 (*c*), and that negotiations to this end should be hastened.

The last paragraph beginning with "any" and ending with "commission" could be left out. It is contained in the Anglo-Turkish Convention, and will be confirmed in the agreement between the Bagdad Railway Company and the Turkish Government.

In article 3, clause (*c*), the Imperial Government would like to see the words "within the provinces of Mosul and Bagdad" replaced by "in Ottoman territory east of Aleppo," and after "Bagdad Railway Company's lines" interpolated "or in contradiction with that Company's existing rights."

The first alteration is based on the belief that the wording proposed in the British counter-draft would not sufficiently protect the Bagdad Railway interests against the possibility of a competing line from some point of the Mediterranean to Lower Mesopotamia being supported by His Majesty's Government. It is hoped that the plan of constructing a line from Aleppo to Meskene can be successfully dealt with during the Franco-German negotiations about railways in Asia Minor.

Article 4, clause (*b*), asks for a 20 per cent. participation in the shares of the River Navigation Company. This is the irreducible minimum we must ask for, and nothing less, but this participation could, in the opinion of the Imperial Government, lead to a successful conclusion of this agreement. The German Government lays great stress on the wording proposed, which establishes some sort of parallelism with clause (*d*), article 2, but it is at the same time understood that the wording does not mean to establish any claim beyond the 20 per cent. share we ask for. This 20 per cent. share is meant to represent a permanent proportion of the share capital, so that in case of future changes in the capitalisation this proportion shall always be maintained.

In article 4, clause (*c*), we propose to strike out the words beginning with "not continue" till "case they shall."

The Bagdad Railway interests are quite willing to let their transport privileges on the river lapse after the completion of the main line to Basra, but do not see their way to agree to a fixed time limit, as proposed in the British counter-draft. It is hoped, however, that some arrangement, as contemplated in the last section of clause (*c*), might be concluded before the signature of this

convention, rendering the proposed time limit altogether unnecessary.

In article 5, clause (*b*), it is proposed to insert after "to use" the words "at their stations on the Rivers Tigris and Euphrates and."

This proposed addition goes beyond anything conceded in the Bagdad Railway Convention of 1903, and, from the wording (as read to me by Hakki Pasha) of a draft agreement between the Company and the Ottoman Government, it is evidently the aim of the Company to secure thereby rather extensive rights of navigation. I think the limits of such navigation rights, if conceded, should be carefully restricted, and possibly the services in question might be performed by Lord Inchcape's Company in which the Germans are to participate.

We propose to restore the contents of our former article 5 as article 5 A, or clause (*c*) of article 5, British counter-draft, in the wording of our counter-proposal. In view of the paramount importance which the Shatt-el-Arab has for our interests, being the only access by sea to the terminus of the great railway in which so much capital has been sunk, it is necessary for us to have a direct assurance from His Majesty's Government that the river will be kept in good conservancy and open under terms of absolute equality.

His Majesty's Government might possibly undertake to use their best endeavours to this end, but it is considered objectionable to admit the German Government to any share of responsibility.

The "recommendations" made at the informal conference of the 9th September, 1913, might be the interpretation of this article, and might be embodied in an annex to this convention.

In article 6 we agree to the first section, but would like a clause added expressly stating that the rights, acquired by the capitulations, shall not be impaired.

This may, subject to any observations of the Legal Adviser, be agreed to as it is covered by the additional convention signed by Hakki Pasha on the 21st October.

Possibly the words "in no other respects" should be substituted for "in no wise."

The Imperial Government thinks that the machinery provided by the second section of article 6 is open to a good deal of criticism, and proposes, if their original article 6 should be accepted, striking out the words from the "Shatt-el-Arab shall" to "of Basra and." Turkey has not ratified The Hague Convention of the 18th October, 1907. There does not seem, therefore, to be any real guarantee that the British Government would in every case succeed in making the Turkish Government accept the reference to a Commission of Enquiry, as proposed in the British counter-draft. Such a Commission seems, in the opinion of the German Government, a rather clumsy instrument, and probably there would be a good deal of delay before any decision could be arrived at. The decision of the Commission would in no way have the character of an arbitral decision or any binding character whatsoever. The decision leaves, as stated in article 35 of The Hague Convention, absolute liberty to the parties concerned. It seems, therefore, that if after protracted negotiations the Commission of Enquiry

From oral explanations of Herr von Kühlmann it is understood that he personally is strongly opposed to a "comité de surveillance," which, he recognises, would be unsatisfactory in practice. It seems therefore advisable to concentrate on the improvement of article 6 of the British draft so as to meet the German criticisms as here expressed. Perhaps Mr. Hurst would suggest an amended wording.

should give a decision unfavourable to the Commission, there would be under the scheme as it stands now no guarantee whatever that the Riverain Commission either changes the objectionable policy or is replaced by a body better adapted for the needs of commerce and navigation. The Imperial Government, for the same reasons that have led to ask for the retention of article 5 A, attaches great importance to get a direct undertaking from His Majesty's Government concerning dues on the Shatt-el-Arab.

This should be considered in the light of articles 11 and 16 of the Anglo-Turkish Shatt-el-Arab Convention of the 29th July, 1913.

The desire to retain the second part of our article 6 beginning with "That dues shall" has no doubt contributed to the desire to let our article 6 stand as proposed by us. Therefore, it seems advisable, in case the retention of our article 6 should not be agreed to, to attach its second part to article 5 A.

In article 7 the Imperial Government agree to the proposal of the British counter-draft, but would like to see clause (*d*) retained in a form given in our counter-draft.

Article 7 seems very objectionable.

Article 8 is agreed to.

Believe me, &c

KÜHLMANN.

(Herr von Kühlmann stated that our request (see note covering our draft of 18th September) concerning the Smyrna-Aidin Railway was under consideration at Berlin and it was hoped a favourable settlement would be reached.)

I venture to suggest that the most expeditious way of dealing with the German proposals would be for them to be sent, with this minute, to the India Office and Board of Trade with the suggestion that a conference should meet early next week to discuss the nature of the reply. It is important to conclude the agreement as soon as possible.

A. P.

Foreign Office,
November 11, 1913.

Enclosure 1.

Memorandum.

THE Imperial Government have most carefully examined the confidential memorandum of the 18th September, 1913, relative to the Bagdad Railway and allied questions, as well as the draft of an Anglo-German Convention annexed to this document. The German Chargé d'Affaires, in accordance with his instructions, has the honour to transmit to Sir E. Grey the result of the above examination in the shape of a new draft of the convention, with the corresponding proposed amendments.

German Embassy, London,
November 4, 1913.

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Enclosure 2.

Anglo-German Convention.

British Counter-draft of September 18, 1913.

ARTICLE 1.

Clause (*a*). Recognising the general importance of the completion of the Bagdad Railway for international commerce, His Britannic Majesty's Government undertake not to take or encourage any measures likely to impede the construction of the Bagdad Railway, or to prevent the participation of capital in this railway, under the express condition that no prejudice of an economic or financial nature is caused to Great Britain in pursuance of this clause.

Clause (*b*). His Britannic Majesty's Government declare that they will not oppose the construction and management of the proposed railway from Bagdad to Basra by the Bagdad Railway Company.

Clause (*c*). The Imperial German Government declare that they will use their best endeavours to secure that two British directors, agreeable to His Britannic Majesty's Government, shall be admitted to the board of the Bagdad Railway Company.

ARTICLE 2.

The Bagdad Railway Company, having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement, and will use their best endeavours to secure its due execution:—

Clause (*a*). The terminus of the Bagdad Railway Company's line shall be at Basra, and the Bagdad Railway Company has renounced all claims to construct a branch line from Basra (Zobeir) to the Persian Gulf, referred to in article 1 of the Bagdad Railway Convention of the 5th March, 1903, and to build a port or railway terminus on the Persian Gulf, whether under article 23 of the said Bagdad Railway Convention or in any other way derived.

Clause (*b*). No discrimination, direct or indirect, shall be permitted on the Bagdad Railway Company's system, either as

Anglo-German Convention.

German Counter-draft of November 3, 1913.

(Note.—Variations are printed in italics.)

ARTICLE 1.

Clause (*a*). Recognising the general importance of the completion of the Bagdad Railway for international commerce, His Britannic Majesty's Government undertake not to take or encourage any measures likely to impede the construction of the Bagdad Railway *system* or to prevent the participation of capital in this *undertaking*.

Clause (*b*). His Britannic Majesty's Government *agree to* the construction and management of the proposed railway from Bagdad to Basra by the Bagdad Railway Company.

Clause (*c*). The Imperial German Government declare that they will use their best endeavours to secure that two British directors, agreeable to His Britannic Majesty's Government, shall be admitted *as representatives of a group of British shareholders* to the board of the Bagdad Railway Company.

ARTICLE 2.

The Bagdad Railway Company, having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement, and will use their best endeavours to secure its due execution:—

Clause (*a*). The terminus of the Bagdad Railway Company's line shall be at Basra, and the Bagdad Railway Company has renounced all claims to construct a branch line from Basra (Zobeir) to the Persian Gulf, referred to in article 1 of the Bagdad Railway Convention of the 5th March, 1903, and to build a port or railway terminus on the Persian Gulf, whether under article 23 of the said Bagdad Railway Convention or in any other way derived.

Clause (*b*). No discrimination, direct or indirect, shall be permitted on the Bagdad Railway Company's system, either as

British Counter-draft.

regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatever.

Clause (*c*). In the event of the construction of the said branch line from Basra (Zobeir) to the Persian Gulf being undertaken, adequate arrangements shall be made to secure facilities for through traffic from and to the Bagdad Railway Company's system, and there shall be complete protection against discrimination, direct or indirect.

Clause (*d*). The construction of the proposed port at Basra, authorised by article 23 of the Bagdad Railway Convention of the 5th March, 1903, shall be executed by a separate Ottoman company, wherein British participation, both in the capital and directorate of the port company and in the contracts for construction and maintenance, shall amount to 50 per cent. of the whole. No duties or charges of whatever nature or under whatever denomination shall be levied by the Port Company on any vessels or goods which shall not equally, under the same conditions, be imposed in like cases on all vessels or goods, whatever be the nationality of the vessels or their owners, or the ownership or country of origin or destination of the goods, and whatever be the places from which the vessels or goods arrive or to which they depart.

In all that relates to the stationing, loading, and unloading of vessels in the port, no privileges or facilities shall be granted to any vessel or vessels which shall not equally and under like conditions be granted to all other vessels.

Any control over the port appertaining to the Imperial Ottoman Government shall be exercised through the proposed Ottoman River Conservancy Commission.

ARTICLE 3.

Clause (*a*). The Imperial German Government and His Britannic Majesty's

German Counter-draft.

regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatever.

Clause (*c*). In the event of the construction of the said branch line from Basra (Zobeir) to the Persian Gulf being undertaken, adequate arrangements shall be made to secure facilities for through traffic from and to the Bagdad Railway Company's system, and there shall be complete protection against discrimination, direct or indirect.

In this event German capital would participate in it, and would be represented on the board of this line under exactly the same conditions and in the same proportion as British capital shall be represented on the board of the Bagdad Railway. *

Clause (*d*). The construction of the proposed port at Basra, authorised by article 23 of the Bagdad Railway Convention of the 5th March, 1903, shall be executed by a separate Ottoman company, wherein British participation, both in the capital and directorate of the port company and in the contracts, *if any*, for construction and maintenance, shall amount to *not less than 20 per cent.* of the whole. No duties or charges of whatever nature or under whatever denomination shall be levied by the port company on any vessels or goods which shall not equally, under the same conditions, be imposed in like cases on all vessels or goods, whatever be the nationality of the vessels or their owners, or the ownership or country of origin or destination of the goods, and whatever be the places from which the vessels or goods arrive or to which they depart.

In all that relates to the stationing, loading, and unloading of vessels in the port, no privileges or facilities shall be granted to any vessel or vessels which shall not equally and under like conditions be granted to all other vessels.

ARTICLE 3.

Clause (*a*). The Imperial German Government and His Britannic Majesty's

* This clause would be inserted in the *note explicative* if His Majesty's Government agreed to have clause (*c*), article 1, embodied in this note.

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British Counter-draft.

Government declare that they will in no case support the construction of a branch from Basra (Zobeir), or from any point of the main line of the Bagdad Railway, to the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government, the Imperial German Government, and the Imperial Ottoman Government.

Clause (*b*). The Imperial German Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, a port or railway terminus on the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government and the Imperial German Government.

Clause (*c*). His Britannic Majesty's Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, within the provinces of Mosul and Bagdad, railway undertakings in direct competition with the Bagdad Railway Company's lines, unless and until there is complete agreement on the subject between the Imperial German Government and His Britannic Majesty's Government.

ARTICLE 4.

Clause (*a*). The Imperial German Government, having cognisance of the declaration signed on
1913, on behalf of the Imperial Ottoman Government, concerning navigation on the Rivers Tigris and Euphrates, declare that they will not oppose the execution, nor support any action directed against the execution, of such declaration, so long as the navigation on the said rivers is maintained in substantial accordance with the provisions thereof.

Clause (*b*). His Britannic Majesty's Government declare that they will not oppose the acquisition by the Bagdad Railway interests of not more than one-third of the share capital allotted to Turkish interests in the Ottoman Company for river navigation, and their representation on the board of the aforesaid company, by one director out of the share of the directorate allotted to Turkish interests.

Clause (*c*). It is, nevertheless, understood that nothing in this article shall be held to affect the rights conceded by article 9 of the Bagdad Railway

German Counter-draft.

Government declare that they will in no case support the construction of a branch from Basra (Zobeir), or from any point of the main line of the Bagdad Railway, to the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government, the Imperial German Government, and the Imperial Ottoman Government.

Clause (*b*). The Imperial German Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, a port or railway terminus on the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government and the Imperial German Government.

Clause (*c*). His Britannic Majesty's Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, *in Ottoman territory east of Aleppo*, railway undertakings in direct competition with the Bagdad Railway Company's lines, *or in contradiction with that company's existing rights*, unless and until there is complete agreement on the subject between the Imperial German Government and His Britannic Majesty's Government.

ARTICLE 4.

Clause (*a*). The Imperial German Government, having cognisance of the declaration signed on
1913, on behalf of the Imperial Ottoman Government, concerning navigation on the Rivers Tigris and Euphrates, declare that they will not oppose the execution, nor support any action directed against the execution, of such declaration, so long as the navigation on the said rivers is maintained in substantial accordance with the provisions thereof.

Clause (*b*). His Britannic Majesty's Government declare that they will not oppose the acquisition by the Bagdad Railway interests of *not less than* 20 *per cent. of the whole share capital out of the shares* allotted to Turkish interests in the Ottoman Company for river navigation, and their representation on the board of the aforesaid company by one director out of the share of the directorate allotted to Turkish interests.

Clause (*c*). It is, nevertheless, understood that nothing in this article shall be held to affect the rights conceded by article 9 of the Bagdad Railway Conven-

British Counter-draft.

Convention of the 5th March, 1903, relative to the conveyance of materials exclusively destined for the construction of the Bagdad Railway, except in so far that it is hereby expressly agreed that the said rights shall not continue to be exercised for more than five years from the date of signature of the present agreement, unless it is shown that no other satisfactory means are available for the conveyance of the said materials and that in any case they shall cease on the completion of the construction of the Bagdad Railway to Basra.

It is further agreed that if an arrangement to the satisfaction of the parties concerned can be made for the conveyance by river of the aforesaid materials through British or Ottoman agency, His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure the conclusion of such an arrangement.

ARTICLE 5.

The concessionnaire, nominated in pursuance of article 3 of the aforesaid declaration of , 1913, having concluded with the Imperial Ottoman Government an arrangement on the following basis, His Britannic Majesty's Government and the Imperial German Government declare, so far as concerns themselves, that they adhere to the said arrangement and will use their best endeavours to secure its due execution :—

Clause (*a*). No discrimination shall be permitted by the Ottoman Company for river navigation, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatsoever. The Company shall grant no through bills of lading, rebates, or other privileges of any description in respect of goods carried by any ship between any place served by the company's vessels and any place oversea, unless the same privileges are accorded in respect of similar goods carried under the same conditions and in the same direction between the same places by all ships regularly trading between those places, irrespective of nationality.

Clause (*b*). The Bagdad Railway Company shall have the right to use within the limits of the ports of Bagdad and Basra and exclusively for the service of the railway and the said ports, small

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tion of the 5th March, 1903, relative to the conveyance of materials exclusively destined for the construction of the Bagdad Railway, except in so far that it is hereby expressly agreed that the said rights shall cease on the completion of the construction of the Bagdad Railway to Basra.

It is further agreed that if an arrangement to the satisfaction of the parties concerned can be made for the conveyance by river of the aforesaid materials through British or Ottoman agency, His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure the conclusion of such an arrangement.

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Clause (*a*). No discrimination shall be permitted by the Ottoman Company for river navigation, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatsoever. The Company shall grant no through bills of lading, rebates, or other privileges of any description in respect of goods carried by any ship between any place served by the company's vessels and any place oversea, unless the same privileges are accorded in respect of similar goods carried under the same conditions and in the same direction between the same places by all ships regularly trading between those places, irrespective of nationality.

Clause (*b*). The Bagdad Railway Company shall have the right to use *at their stations on the Rivers Tigris and Euphrates*, and within the limits of the port of Bagdad, exclusively for the service

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launches, as well as ferries for the transport of passengers and goods from one bank to the other. Such launches shall not exceed tons British measurement.

ARTICLE 6.

The Imperial German Government having taken note of the Anglo-Turkish Convention of under which the free navigation of the Shatt-el-Arab is assured to the shipping of all nations and a commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the Convention are conducive to the best interests of international commerce, will, so long as the duties imposed upon the Commission by the said Convention are satisfactorily carried out, uphold the Convention, and will undertake that German subjects and German shipping shall comply therewith, and with all regulations issued by the Commission, and shall duly discharge all obligations properly imposed upon them in pursuance of the provisions of the said Convention.

If at any time the Imperial German Government are of opinion that the duties imposed upon the Commission are not satisfactorily carried out, or that the reasonable requirements of the commerce of the river in matters within the competence of the Commission are not adequately met, and if the Commission in such case has not seen its way to give effect to important recommendations laid before it in the interests of German shipping, with the object of removing the above-mentioned

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of the railway and the said port, small launches, as well as ferries for the transport of passengers and goods from one bank to the other. Such launches shall not exceed tons British measurement.

ARTICLE 5 A.

His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure that the Shatt-el-Arab shall be brought into and permanently kept in a satisfactory state of conservancy in order that sea-going vessels may always be assured of free and easy access to the port of Basra, and to secure, further, that the navigation on the Shatt-el-Arab shall permanently be kept open for sea-going vessels, and be carried on on terms of absolute equality for the vessels of all nations, without regard either to the nationality of the vessels or to their cargoes.

ARTICLE 6.

The Imperial German Government having taken note of the Anglo-Turkish Convention of under which the free navigation of the Shatt-el-Arab is assured to the shipping of all nations and a commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the Convention are conducive to the best interests of international commerce, will, so long as the duties imposed upon the Commission by the said Convention are satisfactorily carried out, uphold the Convention, and will undertake that German subjects and German shipping shall comply therewith, and with all regulations issued by the Commission, and shall duly discharge all obligations properly imposed upon them in pursuance of the provisions of the said Convention.

It is, nevertheless, understood that this stipulation in no wise affects the privileges and immunities granted to the German Empire by the Capitulations.

A "Comité de Surveillance" shall be established composed of those foreign consuls resident at Basra whose flag is represented by steamship lines regularly trading with that port. The "Comité" shall correspond directly with the River Commission, to be established by the Imperial Ottoman Government, on all

British Counter-draft.

causes of complaint, His Britannic Majesty's Government will use their good offices with the Imperial Ottoman Government to ensure the reference to a Commission of Enquiry, appointed in accordance with article 12 of the Convention of 1907 for the Pacific Settlement of International Disputes, of the questions whether in any particular respects the duties of the Commission have not been satisfactorily carried out, and whether there is good ground for thinking that the Commission, if maintained, will not be able to provide for the reasonable requirements of the commerce of the river.

ARTICLE 7.

(See Article 6 of British draft.)

ARTICLE 8.

Any difference of opinion arising out of this declaration shall be submitted to arbitration. If the two Governments fail to agree about a special Court or arbiter, the case shall be submitted to The Hague Tribunal.

German Counter-draft.

matters affecting the conservancy of the Shatt-el-Arab and the dues to be levied on that river; it is, however, understood that the functions of the "Comité" shall be advisory and not executive. The "Comité" will see that dues shall be imposed, not for the mere fact of navigation, but only for repaying sums actually spent on improvements in the navigation of the Shatt-el-Arab and harbour facilities. They shall in no case exceed 1 fr. per registered ton (the dues to cover the coming in and going out of the same vessel); any dues shall be levied on a basis of absolute equality without regard to the nationality of sea-going vessels or their cargoes.

ARTICLE 7.

The preceding arrangements for the final settlement of all questions connected with the Bagdad Railway shall cease to be operative if the Shatt-el-Arab, after a reasonable time, has not been brought into a satisfactory state of conservancy in order that sea-going vessels may always be assured of free and easy access to the port of Basra.

ARTICLE 8.

Any difference of opinion arising out of this declaration shall be submitted to arbitration. If the two Governments fail to agree about a special Court or arbiter, the case shall be submitted to The Hague Tribunal.

[50552] No. 106.

Herr von Kühlmann to Sir Edward Grey.—(Received November 7.)

(Translation.)

Your Excellency, *German Embassy, November 4, 1913.*

IN the course of the negotiations relative to the Bagdad Railway, your Excellency expressed the wish (memorandum of the 29th August, 1913) to receive certain assurances respecting the publication of rates of freight on the Bagdad Railway. The Imperial Government are ready, by means of an exchange of notes, to declare as follows: The Bagdad Railway Company have assured the Imperial Government that all rates of freight and conditions of transport shall be duly ("angemessen") published, and the same with every change proposed therein; further, that any change in these conditions or rates of freight, both increases and decreases, shall be published at least two months before they come into force. The Imperial Government will do their best to keep the Bagdad Railway Company to these assurances.

It would perhaps be most practical for the notes exchanged to be signed at the same time as the Bagdad Railway Convention.

I have, &c.
KÜHLMANN.

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[50586] No. 107.

Herr von Kühlmann to Sir Edward Grey.—(Received November 7.)

(Translation.)
Your Excellency, *German Embassy, November 4, 1913.*

THE question has been raised by interested parties in Germany whether the harbour and ferry boats of the Bagdad Railway at Basra would be liable to any shipping dues. According to the wording of the Anglo-Turkish Convention respecting navigation on the Shatt-el-Arab, and especially according to the decisions of the conference of experts held at the Foreign Office on the 9th September last (section 2, paragraph 1: "Dues will be levied equally upon all steamships which cross the bar at the entrance of the river"), there is, in the opinion of the German Government, no doubt that steamers plying on the Shatt-el-Arab without crossing the bar remain exempt from all dues. In view of the importance in principle of this point, the Imperial Government would be grateful to learn that His Britannic Majesty's Government share this view.

I have, &c.
KÜHLMANN.

[50499] No. 108.

Sir F. Bertie to Sir Edward Grey.—(Received November 7.)

(No. 545. Secret.)
Sir, *Paris, November 6, 1913.*

M. PICHON was in a pessimistic mood to-day. His conversation was to the effect that Turkey is prepared to go to extremes with Greece and that Bulgaria will join with Turkey against Greece; that Austria and Italy are very aggressively inclined against Greece and Servia; that Italy is more committed than ever to the Triple Alliance as interpreted by Germany.

His Excellency expressed great distrust of Italian policy. According to information which he has received, and which he regards as trustworthy, the Marquis di San Giuliano stated recently to an Austrian agent that the Italian Government would not relinquish Rhodes.

M. Pichon has instructed M. Cambon to confer with you on the general situation. He thinks that the only thing that will exercise an effectual control over the Italian Government is fear of the British navy. They might risk the displeasure of France in the question of the Ægean islands, as they might rely on the support of Germany against France, but they could not hope for German assistance if England asserted herself in a Mediterranean question.

I assured M. Pichon, as I had frequently done before, that on the question of the Ægean islands he might confidently rely on your support. It was an essential principle of British policy that no Great Power should alter the *status quo* in the Mediterranean by the occupation of an island in the Ægean Sea. You would, therefore, hold the Italian Government to their engagement not to retain any such island.

M. Pichon said that he had always had full confidence in the assurances which you had given to him that you would support the French Government in representations to the Italian Government, and that you had recently informed M. Cambon that you intended to again speak strongly to the Italian Ambassador on the subject of the islands.

I have, &c.
FRANCIS BERTIE.

[50638] No. 109.

Sir H. Babington Smith to Foreign Office.—(Received November 7.)

(Confidential.)
Sir, 50, *Cornhill, London, November 7, 1913.*

I BEG to acknowledge the receipt of Sir Eyre Crowe's letter of the 3rd November, 1913, with reference to the Mesopotamian Oil Concession.

In that letter and in the conversation which I had yesterday with Sir Eyre Crowe and Mr. Parker on the same subject, the hope was expressed that the offer of the National Bank's holding in the Turkish Petroleum Company to the Deutsche Bank and the Anglo-Saxon Petroleum Company would be conditional upon the satisfactory conclusion of negotiations with Mr. D'Arcy.

As I stated to Sir Eyre Crowe, we are anxious to do all in our power to meet Sir Edward Grey's wishes; but we regret to find that the course suggested presents great difficulties. By making the offer of the National Bank's shares in the manner suggested, we should imply that if the negotiations with Mr. D'Arcy failed, the National Bank would be prepared to retain its holding; whereas, as you are aware, the National Bank has arrived at the definite decision to withdraw; and the only way in which we can withdraw, except with the consent of the other parties, is by offering the shares to them.

We are also bound to take into account the fact that the main consideration of our associates in joining us was the prospect of obtaining the support of the British Government. We had at that time no reason to doubt that this would be given to us; and our failure to obtain it makes it incumbent upon us, as far as practicable, to replace our associates in the position which they originally held. This we should do by acting in the manner provided in the statutes of the Turkish Petroleum Company. The original position would then be restored, except that the Deutsche Bank will remain in partnership with the Anglo-Saxon Petroleum Company—a partnership which it was open to them at any time to form without any co-operation from us.

I may add that we should be reluctant to place ourselves in a position in which we should appear to be bringing pressure to bear on our associates, solely in the interests of Mr. D'Arcy and his group. Such action on our part, moreover, appears to be unnecessary for the objects which Sir Edward Grey has in view. His Majesty's Government will, in any case, still have at their disposal the means which they have employed hitherto for preventing the grant of the concession otherwise than in accordance with their views; and it may be regarded as certain that the Deutsche Bank and the Anglo-Saxon Petroleum Company will appreciate the importance of securing their support.

Sir Eyre Crowe thought it desirable to hold a further meeting for the purpose of discussing the position with Mr. Deterding and myself before definite action is taken. I have ascertained that Mr. Deterding will be back in London on Monday next, and I will hold myself in readiness to keep any appointment that may be arranged.

It is perhaps unnecessary for me to remind you that our associates are very desirous that the present position of suspense should be terminated, and the future position clearly defined with as little delay as possible.

I am, &c.
H. BABINGTON SMITH, *President, National Bank of Turkey.*

[50636] No. 110.

Sir L. Mallet to Sir Edward Grey.—(Received November 7.)

(No. 555.)
(Telegraphic.) R. *Constantinople, November 7, 1913.*

THE Minister of Public Works is anxious to negotiate the Smyrna-Aidin Railway extension question with the company's agent here, Mr. H. Pears. He says that in principle he can give what is asked, but in a different form. The Government will have a valuable asset on the expiry of the present concession in 1950, and they would require some compensation if they grant prolongation till 1999.

The agent has informed the company to the above effect.

If the company authorises their agent to negotiate here, would there be any objection?

PUBLIC RECORD OFFICE, LONDON

[50487]

No. 111.

Sir Edward Grey to Sir L. Mallet.

(No. 520.)
(Telegraphic.) *Foreign Office, November 7, 1913.*

YOUR telegram No. 553 of 6th November.

I will examine, in consultation with Lord Inchcape, the points enumerated by your Excellency and any further ones which Hakki Pasha may bring forward; but you should at once inform Ottoman Government that the continuance of Aga Jaffer's rights is inconsistent with the declaration already signed by the Ottoman Government, quite apart from Lord Inchcape's draft concession, and you should therefore add that unless those rights cease it will not be possible for His Majesty's Government to agree to the customs increase. Aga Jaffer holds no concession, but merely a terminable permit to navigate. The essence of Lord Inchcape's concession is that, subject to the exceptions specified in the declaration of 29th July, to which the Ottoman Government are formally and irrevocably pledged, it is exclusive, and to this condition His Majesty's Government are determined to adhere.

These unexpected and protracted delays, unless speedily terminated, may compel His Majesty's Government to reconsider their whole position in regard to the several matters recently under negotiation.

[50632]

No. 112.

Sir Edward Grey to German Chargé d'Affaires.

SIR E. GREY presents his compliments to the German Chargé d'Affaires and has the honour to state, for the confidential information of the German Government, that Hakki Pasha has recently communicated to the Foreign Office a telegram which his Highness had received from Djavid Bey, at present in Berlin, asking for the full text of the declarations which, in the opinion of his Highness, should be signed by the Ottoman Government and the Bagdad Railway Company with reference to the terminus of the line and cognate matters.

Hakki Pasha, wishing to expedite the negotiation and to preclude all possibility of misunderstanding, has requested His Majesty's Government to assist him in the preparation of a draft, and Sir E. Grey, with similar objects, has, as Herr von Kühlmann is aware, authorised his Department to enter into informal, and mutually non-committal, communication with the German Embassy on the subject.

His Majesty's Government now propose to inform Hakki Pasha forthwith that the following text appears to meet the case:—

"Article 1er. La Société du Chemin de Fer de Bagdad renonce à la concession de la construction et de l'exploitation de l'embranchement partant de Basra (Zobéir) ou de tout autre point de la ligne et aboutissant à un point du Golfe Persique (article 1er (*d*), de la convention du 20 février (5 mars), 1903), ainsi qu'au droit de construire et exploiter un port à un point situé au Golfe Persique (article 23 de cette même convention).

"Art. 2. Les droits de la société concernant la construction et l'exploitation des ports à Bagdad et à Basra (article 23 de la convention précitée) seront conférés à deux sociétés anonymes ottomanes *ad hoc*. Les conventions relatives à ces ports et les statuts des sociétés à constituer contiendront des dispositions sauvegardant expressément les droits de la Commission fluviale à établir pour l'amélioration des conditions de navigation sur le Chatt-el-Arab. Les conventions et statuts susmentionnés contiendront également des dispositions assurant aux marchandises transportées par voie d'eau et à celles transportées par chemin de fer un traitement identique.

"Art. 3. La Société du Chemin de Fer de Bagdad, ayant pris connaissance de la convention anglo-ottomane concernant les chemins de fer en Turquie d'Asie, parafée à Londres le 12 août, 1913, déclare, en tant qu'elle entre en cause, adhérer aux stipulations de ladite convention.

"Art. 4. Le Gouvernement Impérial ottoman s'engage à exécuter les travaux nécessaires à l'amélioration des conditions de navigation sur le Chatt-el-Arab. Cet article sera interprété d'après les recommandations indiquées à l'Annexe 1."

Sir E. Grey would be grateful if he could be informed as soon as possible whether this text commends itself to the German Government and, in the contrary case, if they would formulate their objections at their earliest convenience.

Sir E. Grey has no doubt that the German Government share the views of His Majesty's Government as to the great desirability of a rapid conclusion of these negotiations.

Foreign Office, November 7, 1913.

Annex 1.

Liste de Recommandations à faire à la Commission fluviale du Chatt-el-Arab.

Chapitre I.

1. LA Commission se mettrait à l'œuvre dans le plus bref délai possible.

2. La Commission entreprendrait une étude préliminaire d'au moins un an avant de recommander que des frais considérables soient consacrés à des travaux d'art permanents.

3. La Commission viserait de prime abord une profondeur de 24 pieds au-dessous du niveau de la pleine mer de la grande marée.

4. La position d'un banc de sable dans le chenal du fleuve en aval de Mohammera serait indiquée par des bouées à placer le plus tôt possible.

5. Des bouées d'amarre, réservées dans la mesure du possible aux diverses compagnies de navigation, seraient placées dans le port de Basra dans un bref délai.

6. La Commission pourrait avoir avantage à prendre comme modèle, d'une manière générale, les arrangements analogues de la Commission du Danube en tant que ces derniers seraient applicables au cas présent.

Chapitre II.

1. Étant donné que les droits seront perçus à raison du tonnage et sans distinction sur tout bâtiment à force motrice qui passerait la barre à l'embouchure du fleuve, il serait à recommander que:

(*a*.) Un droit réduit (inférieur au maximum de 1 fr. par ton à prélever éventuellement) serait à percevoir afin de satisfaire au service d'un emprunt suffisant à couvrir les dépenses du personnel et de l'étude préliminaire susmentionnée ainsi que les autres debours indispensables. Ledit droit suffirait à faire face au paiement des intérêts et de l'amortisation de l'emprunt dans un délai de trente ans.

(*b*.) Le cas échéant, il serait émis des emprunts ultérieurs, destinés à couvrir les frais des travaux que la Commission se déciderait à entreprendre.

2. Il est, d'ailleurs, à recommander que des revenus spécifiques, tels que les recettes douanières de Basra, ou leur excédent, soient assignés au service des emprunts mentionnés sous les catégories (*a*) et (*b*), et que, en tant que les droits de tonnage à percevoir n'y suffiraient pas, tout déficit soit comblé au moyen des revenus spécifiques, qui seraient à réserver éventuellement aux fins requises.

[50729]

No. 113.

Sir L. Mallet to Sir Edward Grey.—(Received November 8.)

(No. 557.)
(Telegraphic.) R. *Constantinople, November 7, 1913.*

YOUR telegram No. 502 of 29th October.

I learn that French claims (see your telegram No. 497 of 24th October) are to be submitted to a Mixed Commission of four members, in which decision would be taken by majority vote. I think, on the whole, that such an arrangement presents considerable advantages as compared with contemplated Commission of three members. This method appears to be practical, while we should avoid the delays inseparable from a commission in which neutral third member would in practice become chief

arbitrator, and would be obliged to insist on an undesirable degree of formality and on production of evidence on questions of fact often very difficult to obtain in order to protect himself from criticism.

In the case of claims left unsettled French arrangement provides for arbitration before The Hague Tribunal under articles 86–90 of 1907 Convention.

If, as I hope, only three or four British claims are left outstanding, reference to Hague seems unnecessarily cumbrous, and it might suffice to stipulate merely that in such cases recourse would be had to arbitration within a short time without specifying exact procedure.

It is of course understood that judgment and other indisputable claims will only come before Commission to settle questions concerning interest.

[50807] No. 114.

Sir L. Mallet to Sir Edward Grey.—(Received November 8.)

(No. 558.)
(Telegraphic.) R. *Constantinople, November 8, 1913.*

YOUR telegram No. 520 of 7th November.

I saw the Minister of Public Works and the Minister of the Interior to-day, and informed them of the contents of your telegram.

They both assured me that they maintain the declaration, and that it was intended to make arrangements with Agha Jaffer on condition of his signing this concession. They expect great local difficulty if they deprive him of his rights. Their hope is that Lord Inchcape will consent to some arrangement unofficially. I gather that none of the objections mentioned in my previous telegram would be pressed to the point of refusal of signature, but they hope you will examine them in a friendly spirit and try to meet their wishes.

[50487] No. 115.

Sir Edward Grey to Sir L. Mallet.

(No. 521.)
(Telegraphic.) R. *Foreign Office, November 8, 1913.*

YOUR Excellency's telegram No. 553 of 8th November.

Hakki Pasha read over to-day to Mr. Parker the telegraphic instructions which he has received. With regard to Aga Jaffer, the object of the Ottoman Government, according to Hakki, is not that the rights enjoyed should be safeguarded, but that Aga Jaffer should receive compensation. This is of course a matter for the Ottoman Government and not for Lord Inchcape, and it might possibly be provided by the allocation of a small percentage of the Turkish share to Aga Jaffer, but as he is understood to be on the verge of bankruptcy his rights cannot be valuable, and as his fleet is only kept in being by subsidies from Wönckhaus, this would be, in effect, an increase of the German holding, and should therefore be closely restricted. The point is one on which I should be glad to receive your Excellency's observations.

As to the Bagdad Railway's rights to build ports at Bagdad and Basra, we have never before seen article 23 of the Convention of 1903 construed as conferring on the railway company exclusive rights to build ports in those places; presumably there would be wharves and docks outside their control. You are, moreover, aware that negotiations are in progress for the constitution of two separate port companies to acquire the rights of the Bagdad Railway Company under article 23 of the 1903 Convention. In one, if not in both, of these companies British participation is under discussion with Germany. It had been decided to confine our participation to Basra, but if the Ottoman Government really hold that article 23 confers exclusive rights on the Bagdad Railway Company at Bagdad and Basra we must endeavour to secure participation in both ports. Hakki Pasha seems to agree with our interpretation that the rights are not exclusive.

Hakki Pasha has received no instructions with reference to German participation in the shares to be in the first instance allotted to Turkey; it is essential that we should know Turkish Government's views on this point without delay, as meanwhile our negotiations with Germany cannot progress. It is of course inadmissible that the German participation should come from the British shares, for reasons with which your Excellency is familiar.

[50487] No. 116.

Sir Edward Grey to Sir L. Mallet.

(No. 522.)
(Telegraphic.) R. *Foreign Office, November 8, 1913.*

YOUR telegram No. 553 of 8th November.

In Hakki Pasha's telegraphic instructions exception is, *inter alia*, taken to the continuance of the "privileges and immunities" of the concessionnaire after the expiration of sixty years. This amounts, in effect, to a cancellation of the concession at the end of that period, whereas the intention, clearly expressed in the declaration of 29th July, was that the concessionnaire should continue to navigate, though without any exclusive rights, if at the end of the sixty years the concession were not prolonged. The concessionnaire will, however, in practice, be unable to navigate if customs immunities and such like privileges are withdrawn at the end of the sixty years, especially if he has to purchase his fuel at a high price in Turkey in consequence of the Ottoman desire to create a petroleum monopoly.

Your Excellency should point this out to the Ottoman Government, laying stress upon the fact that the declaration of 29th July is a compromise, whereby His Majesty's Government abandon the claims to extensive rights of navigation for British vessels under the arrangement of 1846, the agreement of 1823 with Daoud Pasha, and long-established practice. If, however, not merely the exclusive rights, but the concession itself, even under competitive conditions, is, in effect, to be limited to sixty years, the compromise we agreed to will be violated in spirit and in letter. I shall be glad to receive the detailed observations of the Ottoman Government on this change of attitude on their part. You should inform the Ottoman Government that in all their criticisms on the concession they appear to overlook the fact that they themselves are shareholders.

Please also telegraph who, besides Jaffer, now holds navigation permits.

[50424] No. 117.

Sir Edward Grey to Sir L. Mallet.

(No. 524.)
(Telegraphic.) *Foreign Office, November 8, 1913.*

YOUR telegram No. 549 of 5th November.

You should represent to the Porte that His Majesty's Government are most anxious that a satisfactory project of reform should be established as soon as possible in the Armenian vilayets of Turkey, and they have been gratified to learn that the Russian and German Governments have laid certain suggestions to that end before the Ottoman Government, with which His Majesty's Government are in hearty concurrence and which they have every hope will also prove acceptable to the other Powers. His Majesty's Government trust that the Ottoman Government will give these suggestions their most earnest consideration, as if a scheme of this kind were initiated by the Porte it would greatly strengthen and consolidate the position of the Ottoman Government and also promote the integrity of the Asiatic provinces of the Turkish Empire.

Such being the situation, His Majesty's Government, while genuinely desirous of affording all the assistance which lies in their power, foresee great difficulties were the Ottoman Government at this juncture to embark on an independent scheme of their own, dependent upon foreign aid for its execution, without consultation with the Powers. If the execution of such a scheme in the vilayets of Asiatic Turkey were to be entrusted to officers exclusively chosen from one nationality such as the British, friction with Germany and Russia, and possibly other Powers, must inevitably arise and cause great embarrassment to the Turkish Government. For it is only with the good-will and co-operation of the Powers that foreign aid can be effectively used.

His Majesty's Government therefore earnestly hope that the Porte will lose no time in bringing discussions to a satisfactory termination in the first instance with Russia and Germany, and ultimately with the other Powers, and will meanwhile postpone important administrative changes, when they involve definite and new appointments of a permanent character of British or other foreign officials.

You should inform Colonel Hawker of the above.

(Repeated to Paris, No. 399; Berlin, No. 385; Rome, No. 334; St. Petersburgh, No. 740; and Vienna, No. 316.)

[50636] No. 118.

Sir Edward Grey to Sir L. Mallet.

(No. 525.)
(Telegraphic.) R. *Foreign Office, November 8, 1913.*

YOUR telegram No. 555 of 7th November.

As political issues, arising from the Adalia question, are involved in the Smyrna–Aidin negotiations, I would prefer not to transfer those negotiations to Constantinople at this stage.

Hakki Pasha has already formulated the views of his Government, which I have placed before the company, expressing the hope that they will not be considered in too conservative a spirit. I think it would be easier, if necessary, to exercise pressure on the company through the Board of Trade if discussion continued here. Moreover, the negotiations are to some extent tripartite, and Djavid Bey is discussing the subject at Berlin with the Anatolian company. When, however, the broad outlines are decided upon, I should not be opposed to matters of detail being settled at Constantinople. I am informing the company accordingly.

[50636] No. 119.

Foreign Office to the Ottoman Railway from Smyrna to Aidin.

(Confidential.)
Sir, *Foreign Office, November 8, 1913.*

WITH reference to previous correspondence, I am directed by Secretary Sir E. Grey to state that a telegram has been received from His Majesty's Ambassador at Constantinople to the effect that the Ottoman Government would prefer that the negotiations pending with your company should be referred to Constantinople, where they could be pursued through your agent, Mr. Pears.

Sir E. Grey has replied that Hakki Pasha has already formulated the views of his Government, and that those views have been placed before your board, who have been invited to enter into communication with the Board of Trade on the subject. As the negotiations are very complicated, and will possibly raise important considerations relating to other projects in the vicinity of Adalia, and as, moreover, Djavid Bey is at present at Berlin negotiating with the Anatolian Railway Company in regard to cognate matters, Sir E. Grey has added that he would, at this stage, deprecate the transfer of negotiations from London to Constantinople, though he would not be opposed to such a transfer when the broad outlines are decided, and matters of detail alone remain to be settled.

I am also to take this opportunity of again drawing the attention of your board to the great desirability of a prompt decision on their part in regard to the matters under consideration, so as to take full advantage of the presence of Djavid Bey at Berlin.

I am, &c.
EYRE A. CROWE.

[50809] No. 120.

Sir L. Mallet to Sir Edward Grey.—(Received November 9.)

(No. 560.)
(Telegraphic.) R. *Constantinople, November 9, 1913.*

YOUR telegrams Nos. 521 and 522 of 8th November.

I shall not be able to carry out your instructions so far as representations to Porte are concerned before Tuesday, as festival of Bairam has begun.

It was on that account I thought it better to speak direct to Minister of Public Works and Minister of the Interior yesterday. Minister of Public Works, with whom I argued for three-quarters of an hour and whom I repeatedly told that a settlement with Aga Jaffer was not an affair of ours but solely concerned the Porte, has not a very intimate knowledge of the negotiations, would not commit himself, and repeatedly begged that discussion might be carried on by Hakki Pasha.

[50835] No. 121.

Sir L. Mallet to Sir Edward Grey.—(Received November 10.)

(No. 900.)
Sir, *Constantinople, October 30, 1913.*

I HAVE the honour to forward herewith an extract from a despatch from His Majesty's vice-consul at Adana, reporting on branch lines of Bagdad Railway Company.

I have, &c.
LOUIS MALLET.

Enclosure in No. 121.

Vice-Consul Matthews to Mr. Marling.

(No. 61. Extract.)
Sir, *Adana, October 13, 1913.*

WITH reference to my despatch No. 45 of the 31st July last, I have the honour to report that the branch line of the Bagdad Railway Company from Toprak-kaleh to Alexandretta will probably be opened to traffic next month (November).

With regard to the contemplated branch line from Ulu Kishla viâ Kaisarieh to Sivas, it is stated that Ulu Kishla is favoured as the point of junction by the Turkish Government, while the railway company would prefer a point further west, Chai-han, between Ulu Kishla and Konia being mentioned in this connection. It is stated that great natural difficulties exist between Ulu Kishla and Kaisarieh, and the railway company are doubtless also influenced by a desire to have the junction as near the port of Haidar Pasha as possible.

I learn that surveys and studies will shortly be undertaken to the north of Diarbekir, in the direction of Sivas. It is stated that information is required respecting the route of the branch line from El Helif viâ Mardin to Diarbekir, and for a contemplated extension viâ Kharput and the Dersim to Sivas.

[50842] No. 122.

Sir L. Mallet to Sir Edward Grey.—(Received November 10.)

(No. 908.)
Sir, *Constantinople, November 4, 1913.*

WITH reference to Mr. Marling's despatch No. 871 of the 20th ultimo, I have the honour to forward herewith a despatch from the acting British consul-general at Smyrna reporting further on Italian railway projects from Adalia.

I have, &c.
LOUIS MALLET.

Enclosure in No. 122.

Acting Consul-General Heathcote-Smith to Sir L. Mallet.

(No. 90.)
Sir, *Smyrna, November 1, 1913.*

WITH reference to your Excellency's telegram of the 22nd October and my despatch to the Foreign Office, under flying seal the embassy, No. 10, Commercial, of the 30th September, and my further telegram to your Excellency No. 24 of the 27th October, I have the honour to report fuller details as to the Italian railway projects from Adalia.

M. Coulan has been at Adalia for more than a month, having arrived there overland viâ Sparta and Bourdour. He has been examining various schemes, and, as far as Mr. Vice-Consul Kenn can report at present, while there is the project of a railway from Adalia to Bourdour, so far no thorough survey has been taken in hand.

The engineer of the Italian syndicate has also been looking into the question of water power, in view of concessions for electric lighting and electric tramways in and around the town, and also for a narrow-gauge railway into the interior running towards Istanos.

With reference to the project of an Italian railway towards the upper districts of

the Aidin Railway (Bourdour, Egerdir, &c.), Mr. Barfield, the general manager of the Aidin line, stated to me in the course of a confidential conversation that if this railway from Adalia is built by another than the Aidin company it cannot fail to be detrimental to the English railway's interests, and that as each year goes by the losses occasioned to the Aidin line will necessarily go on increasing.

Certainly a glance at the map corroborates the view that a short railway of some hundred odd miles to the coast at Adalia would in the long run capture an overwhelming proportion of the traffic that the Aidin Railway, which is already 234 miles in length from the coast at Dineir, would otherwise have secured for itself.

I have, &c.

C. E. HEATHCOTE-SMITH.

[51125] No. 123.

Sir E. Goschen to Sir Edward Grey.—(Received November 10.)

(No. 194.)

(Telegraphic.) R. *Berlin, November 10, 1913.*

MY telegram No. 192 of 6th November: Armenian reforms.

Acting Minister for Foreign Affairs used different language to me to-day about Grand Vizier's proposed scheme of reforms. I asked him whether he was still inclined to favour it. He replied in the negative and said that German Ambassador had been instructed to continue to press Sublime Porte to accept scheme put forward by the two Powers. He added that progress was being made, and he thought that Grand Vizier was coming round to latter scheme.

[50638] No. 124.

Foreign Office to Board of Trade.

(Confidential.)

Sir, *Foreign Office, November 10, 1913.*

WITH reference to my letter of the 7th instant, on the subject of the Mesopotamian oil concession, I am directed by Secretary Sir E. Grey to suggest that a conference should be held, preferably at the Board of Trade, to discuss the present position, at which both Mr. Detterding and Sir H. Babington-Smith should be present as well as representatives of this Department.

Sir E. Grey is, for political reasons, anxious that a settlement of this difficult question should, if possible, be reached by consent. It is the one outstanding matter between this country and Germany in Turkey in regard to which a compromise is not in sight, and, though it might be possible for a time to block the granting of the concession to German interests, it appears unlikely that it can be obtained exclusively for Mr. d'Arcy. If the granting of the concession were blocked by the diplomatic action of His Majesty's Government, not only would Mr. d'Arcy receive no advantage, but much friction would result.

If the National Bank of Turkey withdraws from the Turkish Petroleum Company, the arrangement which His Majesty's Government should, according to the views which have hitherto been accepted as a basis in the departmental correspondence, aim at would be that a new company should be formed to work the Mesopotamian concession, in which the Turkish Petroleum Company would hold, say, 49 per cent. of the shares, and Mr. d'Arcy 51 per cent.

Sir E. Grey regrets to say that he has been driven to the conclusion that such a proposal is foredoomed to failure, as it now seems clear that Herr von Gwinner and Mr. Detterding will not consent to a compromise upon such a basis.

In these circumstances it becomes incumbent upon His Majesty's Government to consider possible and acceptable alternatives, and it occurs to the Secretary of State that a satisfactory settlement might be reached on the following lines:—

A new company to be formed, in which either Herr von Gwinner would receive 25 per cent. of the share capital, and Mr. Detterding and Mr. d'Arcy 75 per cent. between them, in proportions approximately equal, or in which each of the three parties would receive one-third of the share capital.

In order that this arrangement should be satisfactory, it would be necessary for Mr. Detterding to undertake to constitute a separate British group or British controlled

company to take over his allotment. The company would have to be constituted independently of the control of the Royal-Dutch Company, and be British in domicile, and, though Mr. Detterding might retain a substantial holding, the majority of the shares would have to be held in this country, not only in the first instance, but permanently.

The British company in question would have to undertake to satisfy certain conditions in the interests of the continued independence of the Anglo-Persian Company and of the Admiralty, and it would, in concert with the Anglo-Persian Company, thus establish British control over the whole enterprise.

Sir E. Grey is aware that this arrangement is somewhat cumbrous in form, and that it is difficult to secure that shares shall remain permanently British. But he nevertheless believes that a settlement on these lines might prove more attractive to Mr. Detterding than one in which he was subject to the control of the Anglo-Persian Company, and he understands that it is possible, even if difficult, to secure that shares shall remain permanently British.

The primary object is to reach a settlement which meets the requirements of the Admiralty, with whom the Board of Trade has, Sir E. Grey understands, been in constant communication. At the same time it is clearly no longer possible to secure an arrangement which would give the Anglo-Persian Company undisputed control. It is also undesirable that a final decision should be much longer delayed.

In these circumstances, while not wishing to treat the Anglo-Persian Company unfairly, Sir E. Grey considers that all other considerations should be subordinated to an early settlement which satisfies naval requirements, and he would therefore be glad if the suggested conference could be arranged without loss of time.

I am, &c.

EYRE A. CROWE.

[50586] No. 125.

Foreign Office to Board of Trade.

Sir, *Foreign Office, November 10, 1913.*

I AM directed by Secretary Sir E. Grey to transmit to you, to be laid before the Board of Trade, the accompanying copy of a note dated the 4th November from the German Chargé d'Affaires respecting the exemption from dues of steamers plying on the Shatt-el-Arab, but not crossing the bar.*

I am to draw your attention to article 13, section 3, of Lord Inchcape's draft concession, and I am to state that, subject to any observation which the Board of Trade may desire to make, Sir E. Grey would propose to reply as follows:—

The view of His Majesty's Government and, so it is understood, that of the Ottoman Government is that at any rate vessels carrying on the regular transport of passengers and cargo on the Shatt-el-Arab, even if not crossing the bar, should contribute on a reduced scale to the river dues, regard being had to the fact that they will not directly benefit from the works at the bar of the river, but probably to a minor extent from other services rendered by the Commission. It therefore seems just that they should contribute to the expenses of the Commission on a reduced scale—a point which can be discussed further with the German Government at an early date, should they desire to do so.

I am, &c.

EYRE A. CROWE.

[51234] No. 126.

Board of Trade to Foreign Office.—(Received November 11.)

(Confidential.)

Sir, *Board of Trade, November 10, 1913.*

I AM directed by the Board of Trade to advert to previous correspondence relative to a proposal put forward by Sir John Jackson (Limited), for the establishment of a

* No. 107.

PUBLIC RECORD OFFICE, LONDON

purely British banking concern at Constantinople, and to offer the following observations on this subject:—

The Board understand that it is the definite intention of the National Bank to cease operations in Turkey, and they would therefore, on general grounds, be disposed to welcome the establishment at Constantinople of a British bank such as appears to be now proposed. They recognise, however, that (in view of the limited scope for ordinary banking operations in Turkey) its endeavours would probably be directed mainly towards obtaining and financing concessions for public works and other enterprises. Before, therefore, any express encouragement is given to its establishment by the Foreign Office, the Board think that Sir E. Grey should consider carefully whether His Majesty's Government is likely to be embarrassed by the applications for support in regard to concessions which are likely to result therefrom.

I am accordingly to suggest for Sir E. Grey's consideration that, unless it is the settled policy and intention of the Foreign Office to encourage and support such endeavours as above referred to on the part of the new bank when established in competition with similar action on the part of other Powers, it would be desirable to refrain from expressing any definite opinion as to the advisability or otherwise of the suggested enterprise, but to inform Sir John Jackson, should he approach the Foreign Office on the subject, that His Majesty's Government will be ready to give to the proposed bank the same measure of diplomatic assistance as they are prepared to give to representative British enterprises in general.

I am, &c.
GEO. J. STANLEY.

[51262] No. 127.

Fresh Draft communicated by Hakki Pasha on November 11, 1913.

I.

LE Gouvernement de Sa Majesté britannique donne son consentement à l'établissement en Turquie de monopoles ou de droits de consommation sur les spiritueux (à l'exception des vins, bières, liqueurs et produits pharmaceutiques alcoolisés), le pétrole (comprenant seulement le pétrole d'éclairage, les essences et les produits liquides du pétrole), les allumettes et amadous, les papiers à cigarettes et les cartes à jouer, et des droits de consommation sur le sucre et les boissons alcooliques telles que: vins, bières et liqueurs, aux conditions formulées ci-après:

1. En cas de monopole, le Gouvernement Impérial ottoman, s'il est établi un monopole d'État, ou la société ou les sociétés concessionnaires, si les monopoles sont concédés à une ou plusieurs sociétés, et en tant que l'État ou la société ou les sociétés s'approvisionneront à l'étranger, s'engageront à acheter annuellement dans le Royaume-Uni au moins les quantités de marchandises correspondant à la moyenne de leur exportation en Turquie pendant les trois années entières qui ont précédé l'établissement du monopole.

Dans le cas d'accroissement de la consommation, la part à attribuer dans les achats au commerce du Royaume-Uni sera augmentée au prorata de sa participation.

Les dispositions du présent article seront également applicables aux colonies, possessions ou protectorats de Sa Majesté britannique au delà des mers et aussi à l'île de Chypre, étant bien entendu que lesdites possessions, protectorats et l'île de Chypre assurent aux produits ottomans le même traitement des produits de la nation la plus favorisée qui leur est assuré dans le Royaume-Uni.

2. Il est convenu que dans le cas où les monopoles d'importation seraient transformés en tout ou en partie en monopoles de fabrication, la cessation complète des achats à l'étranger ne pourra avoir lieu avant un délai de trois années, les achats pouvant d'ailleurs être diminués d'un tiers chaque année.

Il est aussi convenu que quel que soit le régime à établir pour le pétrole, on n'apportera aucune entrave ni à la libre exploitation en vertu des concessions à accorder [*sic*, ? accordées] ou à accorder, ni à la libre exportation des produits, des gisements pétrolifères existant dans les territoires ottomans.

3. En cas d'établissement de droits sur la consommation, les droits ainsi que le mode et les formalités de leur application devront être identiques pour les provenances similaires de tous les pays étrangers. Les mêmes droits et un traitement égal doivent aussi être établis à l'égard des marchandises similaires produites en Turquie.

II.

Le Gouvernement de Sa Majesté britannique accepte le principe de la refonte de la loi sur le timbre en Turquie. Il se déclare prêt, en outre, à examiner les mesures propres à concilier l'organisation d'un contrôle direct de l'Administration de la Dette publique ottomane sur les établissements anglais avec le secret des opérations financières et commerciales.

III.

Le Gouvernement de Sa Majesté britannique consent, en principe, à ce que les articles de provenance britannique compris dans une liste à être dressée d'un commun accord entre les deux Gouvernements soient assujettis, comme les mêmes articles de toutes autres provenances, à des taxes d'octroi au profit des villes ottomanes importantes. La liste ne doit comprendre que les boissons, comestibles, combustibles, fourrages et des articles généralement soumis à cette taxe dans les principaux pays européens.

Les municipalités n'appliqueront pas un tarif supérieur à un tarif maximum qui sera fixé d'un commun accord entre les deux Gouvernements. Ce tarif sera le même pour les marchandises importées ou pour celles produites dans le pays.

[51328] No. 128.

Sir L. Mallet to Sir Edward Grey.—(Received November 11.)

(No. 562.)
(Telegraphic.) R. *Constantinople, November 11, 1913.*

YOUR telegram No. 521 of 8th November.

I am asking His Majesty's consul at Basra for his most recent information respecting the Aga Jaffer, and will communicate the result as soon as I hear.

In the meantime I agree that arrangement outlined by you, namely, that the Aga Jaffer should be offered participation in the Turkish shares, might be privately suggested to Hakki, although it is not, strictly speaking, our business.

Wönckhaus does not appear, from Basra telegrams to you of 25th August and 26th August, to be a partner in the business, and in those circumstances it would not seem that German share would be increased if the Aga Jaffer were absorbed.

Absorption would, indeed, render subsidies from Wönckhaus unnecessary, thereby eliminating his interest.

[50729] No. 129.

Sir Edward Grey to Sir L. Mallet.

(No. 528.)
(Telegraphic.) R. *Foreign Office, November 11, 1913*

YOUR telegram No. 557 of 7th November: Claims against Turkish Government.

I agree, and will propose this course to Hakki Pasha on resumption of negotiations, but would now suggest reference to Netherlands Minister in cases where arbitration is necessary if he will accept. Please consult him before I propose this to Hakki.

[49766] No. 130.

Sir Edward Grey to Mr. O'Beirne.

(. , 742.)
(Telegraphic.) R. *Foreign Office, November* 11, 1913.

MY telegram No. 731 of 3rd November: Shatt-el-Arab conservancy.

I should be glad to learn what action you have taken and whether you expect to obtain the desired assurances shortly. I am anxious to settle this matter, upon which negotiations with Turkey and other Powers depend, without further delay.

(Repeated to Constantinople, No. 527.)

[52291] No. 131.

Note communicated by M. Cambon, November 13, 1913.

A PROPOS du débarquement de troupes indiennes à Mascate et à la suite de nouvelles de presse annonçant l'établissement du protectorat anglais sur l'imanat, Sir Edward Grey avait déclaré que le Gouvernement britannique comptait ne rien changer dans sa situation à Mascate et restait fidèle à la déclaration de 1862. Depuis lors le Sultan est mort; on ne sait encore qui lui succédera. M. Pichon désirerait que la France et l'Angleterre reconnaissent en même temps le nouveau Sultan. Cela serait utile au moment où la France va céder sur la question des armes.

Ambassade de France, Londres,
le 13 *novembre*, 1913.

[51669] No. 132.

Observations sur le Contrat parafé.—(Communicated by Hakki Pasha, November 13, 1913.)

Observations générales.—Rédaction d'un style vague pouvant prêter à des malentendus et contenant des répétitions. Il est désirable de le rendre plus précis.

Article 2.—La société qui sera formée étant une société anonyme ottomane, il y a lieu d'en accorder la formation avec le type modèle des sociétés anonymes ottomanes (le Foreign Office doit avoir ce type modèle imprimé à Constantinople), en y ajoutant les clauses spéciales de la déclaration.

Article 4.—1°. La Société de Bagdad a aussi le droit de transporter par les fleuves les matériaux nécessaires à son exploitation pendant la période de construction. Le dernier paragraphe devrait être rectifié en conséquence.

2°. Pour que les sources pétrolifères en Mésopotamie puissent être exploitées avec profit, il y aurait lieu de réserver aux sociétés qui exploiteront ces sources le droit de pourvoir à leur propre transport.

Article 6.—Le droit exclusif devrait commencer à l'échange des contrats.

Article 7.—Cette protection est naturelle et il est inusité d'en faire l'objet d'une clause spéciale. Les mots "des droits qui pourraient porter atteinte à la pleine jouissance de ces droits par la société" sont vagues et pourraient devenir une source de conflit.

Article 8.—Il y a lieu de mentionner que la société respectera les lois et règlements sur la navigation fluviale, les douanes, les quarantaines et mesures sanitaires, ainsi que les concessions de la Société de Bagdad pour les ports de Bagdad et Bassora. Pas faire mention de voiliers pour le Chatt-el-Arab.

Article 10.—Il y a lieu de mentionner que les travaux à entreprendre par la compagnie ne seront pas de nature à entraver les travaux d'irrigation entrepris par le Gouvernement, et que celle-ci n'interviendra pas dans les travaux et ne réclamera pas de dommages-intérêts sous prétexte de préjudice à la navigation.

Article 11.—Il y a lieu de distinguer les lois générales de navigation fluviale des règlements de service de la compagnie; les premières sont d'ordre législatif, les secondes doivent avoir l'approbation du Gouvernement.

Article 12.—On propose de le biffer.

Article 13.—La société est aussi assujettie aux taxes quarantenaires; il faudrait

l'ajouter. La franchise de la taxe douanière pour la Société de Bagdad est limitée par l'augmentation des recettes brutes à un degré fixe; une franchise illimitée pour la compagnie attirera la demande d'une pareille concession par ladite société. Il faudrait fixer une limite de dividende.

Article 14.—Les statuts de la société devront être ratifiés par le Gouvernement. Le vote par unité annule en réalité la position des membres ottomans.

Article 13.—Les actions attribuées au Gouvernement ottoman étant livrées au pair, il y a lieu de mentionner si les actions attribuées aux Anglais seront aussi livrées au pair ou au prix d'émission.

Le Gouvernement ayant payé intégralement sa part des actions, le Conseil se réserve le droit de statuer sur les sommes à payer sur les actions des Anglais; il y aurait donc lieu de mettre une règle pour le payement des dividendes jusqu'à ce que les actions soient intégralement payées.

Cet article parle seulement des distributions primordiales; il faudrait spécifier le régime des distributions pour le cas où le capital primitif étant insuffisant il y aurait une émission de nouvelles actions.

Il faudrait aussi le consentement du Gouvernement pour le genre et la quantité des nouvelles actions ou obligations à émettre.

Article 14.—Permission du Gouvernement nécessaire pour les constructions et expropriations.

Article 27.—Même remarque que pour l'article 7.

Article 29.—Afin d'éviter la possibilité d'un service de navigation plus insuffisant que l'état présent avec un tarif supérieur à l'état présent, il y aurait lieu, comme pour les conventions de chemins de fer, de fixer dès à présent un itinéraire minimum avec un tarif maximum.

Article 30.—Il faudrait au moins garantir la continuation des facilités présentes et mettre une sanction convenable à cette fin.

Article 34.—On ne peut pas restreindre par une clause le droit du Gouvernement d'établir des fortifications et des batteries sur le fleuve lorsque la nécessité se présente.

En outre.—Les permis accordés à Aga Djaffer et aux municipalités de Bagdad et de Zor étant antérieurs à la déclaration, il y aurait lieu de leur acheter leur matériel.

La société doit transporter gratuitement les valises postales du Gouvernement.

Garantie.—Le dernier paragraphe rendant la garantie illusoire, il y aurait lieu de le modifier.

[51669] No. 133.

Sir Edward Grey to Sir L. Mallet.

(No. 536.)
(Telegraphic.) R. *Foreign Office, November* 13, 1913.

HAKKI PASHA has communicated a list of criticisms, based on his instructions, of Lord Inchcape's concession. The modifications proposed are in large measure objectionable, and detailed instructions will be sent to your Excellency shortly. You should ask for a copy of the criticisms, so as to save time.

The first criticism is vague and lays it down that the constitution of the company must be in accordance with the model type of Ottoman joint stock companies, as printed in Constantinople. You should obtain and send home a copy, and your Excellency should inform Ottoman Government that if the majority of the changes are persisted in the whole negotiations will break down.

[51680] No. 134.

Sir E. Crowe to Sir H. Llewellyn-Smith.

Dear Llewellyn-Smith, *Foreign Office, November* 12, 1913.

SINCE our correspondence of the last two days a fresh factor has arisen respecting the Mesopotamian oil question. The German Chargé d'Affaires was here to-day and stated that Herr Stauss, who is Herr von Gwinner's partner and adviser in relation to oil matters, was at present in this country, and Herr von Kühlmann suggested that perhaps someone from the Board of Trade and Foreign Office would care to take

advantage of his presence to have an informal discussion about the Mesopotamian question. He added that Herr Stauss had great influence with Herr von Gwinner, and that any recommendation of the former would probably be accepted by the latter.

Herr von Kühlmann then said that, although Herr von Gwinner had expressed readiness to concede 1 per cent of his holding in the Turkish Petroleum Company to Sir E. Cassell, he would not, according to the statement of Herr Stauss, be prepared, now that the National Bank was going out, to make a similar concession in favour of Mr. d'Arcy, as that would mean permanent subordination to the latter. There were, however, several companies in which the capital was equally divided between two parties which worked well in practice, and, subject to a clear drafting of the statutes, there was no reason why this should not be the case with the Mesopotamian company. Herr von Kühlmann stated that Herr Stauss's opinion was that d'Arcy should receive 50 per cent. and the Deutsche Bank and the Shell 50 per cent. between them. He added that Herr Stauss was seeing Sir H. Babington-Smith and Mr. Detterding to-day or to-morrow.

My former letters to you were based on what we distinctly understood to be the views of Herr von Gwinner, but, apparently, those views may be subject to modification at the instance of Herr Stauss, and this is the fresh factor in the situation.

Would you be in favour of a meeting, and if so would you prefer it to take place here or at the Board of Trade?

Herr von Kühlmann added that the German Government were anxious that a settlement of this question should be reached.

I understand that you are considering the question of a meeting with Mr. Detterding. As he is to be a partner in the proposed company I think it would be inadvisable to risk offending him by not meeting him, but of this you must be the best judge.

Herr von Kühlmann further stated that he understood from Herr Stauss that the proposed petroleum monopoly in Turkey was for lamp oil, but this does not quite accord with Hakki Pasha's statements.

He said the principal oil company in Roumania, connected with the Deutsche Bank, was desirous of getting the monopoly if possible.

If Herr Stauss comes to a meeting I think we should stand out, in the first instance, for 51 per cent. in the Mesopotamian concession, though we might perhaps eventually accept a bare 50 per cent.

In case any proposal is made to extend the area of the concession beyond the vilayets of Mosul and Bagdad we must of course not overlook the fact that we are committed to other parties in regard to the Farsan Archipelago and Syria.

Yours sincerely,
EYRE A. CROWE.

P.S.—Herr von Kühlmann stated that Herr Stauss seemed to fear that Mr. d'Arcy might wish to retard the development of the Mesopotamian oilfield in the interests of his Persian fields. We should have to provide against this in a manner to satisfy Herr Stauss.

E. A. C.

[51813] No. 135.

Type modèle des Sociétés anonymes ottomanes.

(Communicated by Hakki Pasha, November 14, 1913.)

Statuts.

LES soussignés :

A.
B.
C.
D.

En vue de réaliser la concession accordée à M. A. susnommé par firman en date du pour la construction, l'administration et exploitation de accordée par le Gouvernement Impérial et des

engagements qu'elle comporte, forment une société anonyme qui sera soumise aux clauses et conditions suivantes :

TITRE I.—*Formation et objet de la Société, dénomination, siège.*

Article 1er. Il est formé entre les soussignés et tous les propriétaires des actions ci-après créées une société anonyme ottomane ayant pour objet de construire, d'administrer et exploiter, selon la convention et le cahier des charges ci-annexés,

Art. 2. La société prend la dénomination de et sera soumise aux lois et règlements de l'Empire en qualité de société ottomane.

Art. 3. La société a son siège à Constantinople, et pourra établir des succursales dans toute autre ville de l'Empire ottoman ou à l'étranger.

Art. 4. La durée de la société est fixée à ; terme de la concession, sauf le cas de dissolution anticipée ou de prorogation.

TITRE II.—*Apport et transfert de la concession à la Société.*

Art. 5. M. A. apporte à la société la concession qui lui a été octroyée par le Gouvernement Impérial ottoman avec tous les droits, privilèges et avantages y attachés ou en dérivant, et la société devient titulaire et propriétaire de ladite concession, et se trouve substituée à tous les droits et obligations du concessionnaire. Remise sera par lui faite à la société de tous les firmans, conventions, actes, et documents quelconques concernant la concession.

Art. 6. Le fonds social est fixé à , divisé en actions de livres. Il pourra être augmenté de moitié par l'assemblée générale.

Art. 7. La société ne sera définitivement constituée qu'après la souscription de la totalité du capital et le versement du premier dixième de ce capital.

Des certificats provisoires constatant les versements seront remis aux souscripteurs pour être échangés contre des titres définitifs après le versement de la moitié du capital.

Les actions seront libellées d'une part en turc et de l'autre en français ou en toute autre langue.

Les 90 pour cent restants seront appelés au fur et à mesure des besoins de la société, conformément aux décisions du conseil d'administration et après avis inséré, trente jours d'avance au moins, dans plusieurs journaux officiels ou non, se publiant à Constantinople ou dans d'autres pays.

Art. 8. Les titres sont nominatifs jusqu'au payement de la moitié du montant des actions ; leur négociation ne peut avoir lieu avant le versement du premier dixième. La négociation s'opère par un transfert sur les registres de la société signé par le cessionnaire et le cédant et l'un des administrateurs ; mention de ce transfert est faite sur le titre.

Après leur libération de moitié les actions seront au porteur.

Art. 9. Toute action est indivisible à l'égard de la société, qui n'en reconnaît aucun fractionnement.

Les héritiers ou ayants cause d'un actionnaire ne peuvent, pour quelque motif que ce soit, provoquer l'apposition des scellés sur les biens et valeurs de la société, ni s'immiscer en aucune manière dans son administration ; ils doivent, pour l'exercice de leurs droits, s'en rapporter aux inventaires sociaux et aux délibérations de l'assemblée générale.

Art. 10. Tout versement en retard porte intérêt de plein droit en faveur de la Société à raison de 6 pour cent par an, à compter du jour de l'exigibilité et sans aucune mise en demeure.

Art. 11. A défaut de payement des versements à leurs échéances, la société poursuit les débiteurs et peut faire vendre les actions en retard.

A cet effet, les numéros de ces actions sont publiés comme défaillants par la voie des journaux, et quinze jours après cette publication il est procédé à la vente des actions pour le compte et aux risques et périls du retardataire, sans aucune mise en demeure ni formalité judiciaire ; cette vente a lieu dans les bourses de Constantinople et de X , si les actions sont cotées, et, dans le cas contraire, aux enchères publiques.

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Les titres ainsi vendus deviennent nuls de plein droit ; il en est délivré aux acquéreurs de nouveaux sous les mêmes numéros.

Le prix de la vente s'impute dans les termes de droit sur ce qui est dû à la société par l'actionnaire exproprié, qui reste passible de la différence ou profite de l'excédent.

Titre III.—*Administration de la Société*

Art. 12. La société est administrée par un conseil d'administration composé de cinq à onze membres nommés par l'assemblée générale.

Toutefois, les premiers administrateurs seront les personnes ci-après désignées dont la nomination ne sera pas soumise à l'approbation de l'assemblée générale, et dont les fonctions ne dureront que trois ans :

1°.
2°.
3°.

Art. 13. A l'expiration du mandat du conseil statutaire, le renouvellement par un ou deux des membres du conseil d'administration se fera pour la première fois par voie de tirage au sort, et ensuite par voie d'ancienneté.

Les membres sortants peuvent toujours être réélus.

Art. 14. Le conseil d'administration se réunit aussi souvent que l'intérêt de la société l'exige et au moins une fois par mois. La présence de plus de la moitié des membres au moins est nécessaire pour la validité des délibérations.

Les délibérations sont prises à la majorité des voix des membres présents. En cas de partage la proposition est renvoyée au conseil suivant et alors, en cas de nouveau partage, elle est rejetée.

Art. 15. Les délibérations sont constatées par des procès-verbaux transcrits sur un registre spécial et signés par les administrateurs qui y ont pris part. Les copies ou extraits de ces délibérations, pour faire foi, doivent être signés par le président du conseil ou celui qui le remplace.

Art. 16. Chaque administrateur doit être propriétaire de actions inaliénables pendant la durée de ses fonctions ; elles seront frappées d'un timbre indiquant l'inaliénabilité et déposées dans la caisse sociale.

Art. 17. En cas de vacance par décès, démission ou autre cause, le conseil pourvoit provisoirement au remplacement jusqu'à la prochaine assemblée générale, qui procède à l'élection définitive.

Art. 18. Chaque année le conseil nomme parmi ses membres un président et un vice-président.

En cas d'absence du président et du vice-président, il désigne celui de ses membres qui doit remplir les fonctions de président.

Art. 19. Les administrateurs qui résident à l'étranger et ceux qui seront accidentellement absents, peuvent se faire représenter dans les délibérations par un de leurs collègues, sans que celui-ci puisse réunir plus de deux votes y compris le sien.

Art. 20. Le conseil a les pouvoirs les plus étendus pour l'administration des biens et affaires de la société ; il peut même transiger et *compromettre*, il arrête les comptes qui doivent être soumis à l'assemblée générale et propose les répartitions de dividendes.

Le président du conseil d'administration représente, soit personnellement, soit par un mandataire, la société en justice tant en *demandant* qu'en *défendant*.

Art. 21. Le conseil peut déléguer tout ou partie de ses pouvoirs à un ou plusieurs de ses membres, par un mandat spécial, pour des objets déterminés ou pour un temps déterminé.

Il peut aussi les déléguer, pour l'expédition des affaires courantes, à une ou plusieurs personnes prises en dehors de son sein.

Art. 22. Les administrateurs reçoivent des jetons de présence dont la valeur est fixée par l'assemblée générale, indépendamment de la quote-part qui leur est allouée dans les bénéfices nets.

Titre IV.—*Assemblée générale.*

Art. 23. L'assemblée générale régulièrement constituée représente l'universalité des actionnaires.

Art. 24. Il est tenu une assemblée générale ordinaire chaque année dans le courant de . Le lieu de la réunion est fixé par le conseil d'administration.

Art. 25. L'assemblée générale se compose des actionnaires qui possèdent, soit à titre de propriétaire, soit à titre de mandataire, d'actions au moins.

Tout membre de l'assemblée générale a droit à autant de votes qu'il possède, comme propriétaire ou mandataire, de fois actions, mais sans qu'il puisse jamais réunir plus de voix.

Art. 26. Les convocations doivent être faites par un avis annoncé par la voie de la presse, un mois au moins avant l'époque de la réunion, ainsi qu'il est indiqué à l'article

Art. 27. L'assemblée est régulièrement constituée lorsque les membres présents ou représentés réunissent le quart du fonds social.

Pour vérifier si le quart du fonds social est représenté, tous les actionnaires ayant droit de prendre part à l'assemblée sont invités par les avis de convocation à déposer leurs titres dans les dix jours aux lieux indiqués par le conseil.

Si à la première réunion le nombre d'actions représentées n'est pas suffisant, une nouvelle assemblée est convoquée, et elle délibère valablement quelle que soit la portion du capital représentée par les actionnaires présents, mais seulement sur l'ordre du jour de la première convocation.

Cette nouvelle réunion doit avoir lieu quinze jours au moins et un mois au plus d'intervalle et les convocations ne peuvent être faites que vingt jours à l'avance.

Art. 28. L'assemblée générale est présidée par le président du conseil, ou à son défaut par un administrateur désigné par le conseil.

Deux des plus forts actionnaires présents remplissent les fonctions de scrutateurs.

Le bureau désigne le secrétaire.

Art. 29. Les délibérations sont prises à la majorité des voix.

L'ordre du jour est arrêté par le conseil.

Il n'y est porté que les propositions émanant du conseil, et celles qui lui auront été communiquées vingt jours au moins avant la réunion, avec la signature d'actionnaires représentant au moins du capital.

Il ne peut être mis en délibération que les objets portés à l'ordre du jour.

Art. 30. L'assemblée générale désignera, soit parmi les actionnaires, soit parmi les personnes étrangères à la société, un ou plusieurs commissaires chargés de la vérification des comptes.

Art. 31. L'assemblée générale annuelle entend le rapport que le conseil doit lui présenter chaque année sur la situation des affaires de la société, et celui des commissaires sur les comptes.

Elle discute, approuve ou rejette les comptes.

Elle fixe le dividende.

Elle nomme les administrateurs à remplacer.

Elle délibère et statue souverainement sur tous les intérêts de la société, et confère au conseil d'administration tous les pouvoirs supplémentaires qui seraient reconnus utiles.

L'assemblée ne peut décider l'augmentation du capital qu'avec une majorité réunissant les deux tiers au moins des actionnaires présents ou représentés.

Art. 32. Les délibérations de l'assemblée générale sont constatées par des procès-verbaux, inscrits sur un registre spécial et signés par les membres du bureau.

Une feuille de présence contenant les noms et domiciles des actionnaires membres de l'assemblée, et le nombre d'actions dont chacun est porteur, est signée par les membres présents et annexée au procès-verbal pour être communiquée à tout ayant droit.

Art. 33. Les copies ou extraits des délibérations, pour faire foi, doivent être signés par le président du conseil ou celui qui le remplace.

Art. 34. Les décisions de l'assemblée générale, prises en conformité des présents statuts, sont obligatoires même pour les actionnaires absents ou dissidents.

Titre V.—*Inventaires et comptes annuels.*

Art. 35. L'année sociale commence le 1er janvier et finit le 31 décembre.

Par exception, le premier exercice comprendra le temps écoulé entre la constitution définitive de la société et le 31 décembre suivant.

A la fin de chaque année sociale il est dressé par les soins du conseil un inventaire général de l'actif et du passif.

Cet inventaire ainsi que le bilan et les comptes sont mis à la disposition des

commissaires quarante jours avant l'assemblée générale annuelle. Ils sont ensuite présentés à l'assemblée.

Tout actionnaire ayant droit de prendre part à l'assemblée peut en prendre communication.

TITRE VI.—*Partage des bénéfices et amortissement.*

Art. 36. Sur les bénéfices nets annuels il est prélevé :

1. pour cent pour être payés à titre d'intérêt à toutes les actions sans distinction.
2. pour cent pour le fonds de réserve.

L'excédent est réparti dans la proportion suivante :

3. pour cent aux administrateurs par parties égales.
4. pour cent aux actionnaires à titre de dividende.

Art. 37. L'assemblée générale pourra prélever chaque année pour cent sur les bénéfices nets pour amortir un nombre déterminé d'actions à échoir par voie de tirage au sort. Les actions amorties continueront à jouir du dividende, mais n'auront pas droit à l'intérêt.

TITRE VII.—*Fonds de réserve.*

Art. 38. Le fonds de réserve se compose de l'accumulation des sommes prélevées sur les bénéfices annuels, en conformité de l'article 36.

Il est destiné à faire face aux dépenses extraordinaires ou imprévues.

Lorsque le fonds de réserve aura atteint le dixième du fonds social le prélèvement sera suspendu.

Art. 39. En cas d'insuffisance des produits d'une année pour donner un intérêt ou dividende de pour cent par action, la différence peut être prélevée sur le fonds de réserve.

Art. 40. A l'expiration de la société et après la liquidation de ses engagements le fonds de réserve sera partagé entre toutes les action

TITRE VIII.—*Prorogation, dissolution, liquidation.*

Art. 41. Le conseil d'administration peut, à toute époque et pour quelque cause que ce soit, proposer à l'assemblée générale, convoquée à cet effet, la prorogation, la dissolution et la liquidation de la société, ainsi que tout projet de fusion avec d'autres sociétés. Toutefois, la prorogation ou la fusion, s'il y a lieu, ne pourra se faire qu'avec l'autorisation du Gouvernement Impérial.

Art. 42. En cas de perte des trois quarts du fonds social, les administrateurs convoquent l'assemblée générale à l'effet de statuer sur la question de savoir s'il y a lieu de prononcer la dissolution de la société ou de continuer ses opérations.

Art. 43. A l'expiration de la société ou en cas de dissolution anticipée, l'assemblée générale convoquée règle le mode de liquidation et nomme un ou plusieurs liquidateurs.

Pendant la liquidation, les pouvoirs de l'Assemblée générale continuent comme pendant l'existence de la société.

Les liquidateurs peuvent, en vertu d'une délibération de cette assemblée et avec l'autorisation du Gouvernement Impérial, faire le transfert à toute société ou a tout particulier des droits, actions et obligations de la société dissoute.

Art. 44. Les assemblées générales extraordinaires, appelées à statuer sur les objets indiqués au présent titre, ne seront valablement constituées que si elles réunissent un nombre d'actions représentant la moitié au moins du capital social.

[51811]

No. 136.

Proposed Agreement between Bagdad Railway Company and Ottoman Government.

(No. 1.)

Draft of Proposed Agreement between Bagdad Railway Company and Ottoman Government.

[Text as tentatively suggested to Hakki Pasha by Mr. Parker, November 7, 1913.]

ARTICLE 1er.

LA Société du Chemin de Fer de Bagdad renonce à la concession de la construction et de l'exploitation de l'embranchement partant de Bassora (Zobéir) ou de tout autre point de la ligne et aboutissant à un point du Golfe Persique (article 1er, No. 4, de la convention du 20 février (5 mars), 1903), ainsi qu'au droit de construire et exploiter un port à un point situé au Golfe Persique (article 23 de cette même convention).

ARTICLE 2.

Les droits de la Société concernant la construction et l'exploitation des ports à Bagdad et à Bassora (article 23 de la convention précitée) seront conférées à deux sociétés anonymes ottomanes *ad hoc*. Les conventions relatives à ces ports et les statuts des sociétés à constituer contiendront des dispositions sauvegardant expressément les droits de la Commission fluviale à établir pour l'amélioration des conditions de navigation sur le Chatt-el-Arab. Les conventions et statuts susmentionnés contiendront également des dispositions assurant aux marchandises transportées par voie d'eau et à celles transportées par chemin de fer un traitement identique.

ARTICLE 3.

La Société du Chemin de Fer de Bagdad, ayant pris connaissance de la convention anglo-ottomane concernant les chemins de fer en Turquie d'Asie, paraîée à Londres le 12 août, 1913, déclare, en tant qu'elle entre en cause, adhérer aux stipulations de ladite convention.

ARTICLE 4.

Le Gouvernement Impérial ottoman s'engage à exécuter les travaux nécessaires à l'amélioration des conditions de navigation sur le Chatt-el-Arab. Cet article sera interprété d'après les recommandations indiquées à l'Annexe No. 1.

Annex No. 1.

Liste de Recommandations à faire à la Commission fluviale du Chatt-el-Arab.

CHAPITRE I.

1. La Commission se mettrait à l'œuvre dans le plus bref délai possible.

2. La Commission entreprendrait une étude préliminaire d'au moins un an avant de recommander que des frais considérables soient consacrés à des travaux d'art permanents.

3. La Commission viserait de prime abord une profondeur de 24 pieds au-dessous du niveau de la pleine mer de la grande marée.

4. La position d'un banc de sable dans le chenal du fleuve en aval de Mohammera serait indiquée par des bouées, à placer le plus tôt possible.

5. Des bouées d'amarre, réservées dans la mesure du possible aux diverses compagnies de navigation, seraient placées dans le port de Bassora dans un bref délai.

6. La Commission pourrait avoir avantage à prendre comme modèle, d'un manière générale, les arrangements analognes de la Commission du Danube en tant que ces derniers seraient applicables au cas présent.

CHAPITRE II.

1. Étant donné que les droits seront perçus à raison du tonnage et sans distinction sur tout bâtiment à force motrice qui passerait la barre à l'embouchure du fleuve, il serait à recommander que :

(*a*.) Un droit réduit (inférieur au maximum de 1 fr. par ton à prélever éventuellement) serait à percevoir afin de satisfaire au service d'un emprunt suffisant à couvrir les dépenses du personnel et de l'étude préliminaire susmentionné ainsi que les autres débours indispensables. Ledit droit suffirait à faire face au paiement des intérêts et de l'amortisation de l'emprunt dans un délai de trente ans.

(*b*.) Le cas échéant, il serait émis des emprunts ultérieurs, destinés à couvrir les frais des travaux que la Commission se déciderait à entreprendre.

2. Il est d'ailleurs à recommander que des revenus spécifiques tels que les recettes douanières de Bassora, ou leur excédent, soient assignés au service des emprunts mentionnés sous les catégories (*a*) et (*b*), et que, en tant que les droits de tonnage à percevoir n'y suffiraient pas, tout déficit soit comblé au moyen des revenus spécifiques, qui seraient à réserver eventuellement aux fins requises.

[*Note*.—The following addition was suggested to Mr. Parker by Hakki Pasha on November 9 :—]

"Le droit de tonnage spécifié à l'article 1er (*a*) devra être, en tout cas, éventuellement porté au maximum de 1 fr. par tonne en tant que les frais de la Commission et le service d'intérêt et d'amortissement des emprunts contractés le rendront nécessaire à l'achèvement des travaux pour lesquels les emprunts auraient été contractés. La garantie par les recettes douanières ne sera maintenue que pour parfaire l'insuffisance de ce droit maximum et jusqu'à ce que l'accord ultérieur prévu par l'article 16 de la convention signée le 29 juillet, 1913, soit intervenu."

(No. 2.)

Draft of Proposed Agreement between Ottoman Government and Bagdad Railway Company.

[Communicated by Hakki Pasha, who had received it from Djavid Bey, November 11, 1913.]

I.

Bassora est fixé comme point terminus de la ligne du Chemin de Fer de Bagdad.

La Société du Chemin de Fer de Bagdad renonce à tous ses droits de construire et d'exploiter l'embranchement partant de Bassora (Zobéir) et aboutissant au Golfe Persique, mentionné au chiffre 4 de l'article 1er de la Convention du Chemin de Fer de Bagdad, du 5 mars, 1903.

Elle renonce également à la construction et à l'exploitation, soit en conformité de l'article 23

de cette même convention, soit en vertu de toute autre stipulation, d'un port ou d'un terminus maritime du chemin de fer sur le Golfe Persique.

II.

La Société du Chemin de Fer de Bagdad confirme qu'aucune tarification différentielle ne sera appliquée sur son réseau, et que les articles de même nature à transporter entre les mêmes points seront traités sur le même pied d'une parfaite égalité, quels qu'en soient leur propriétaire, leur origine ou leur destination.

Elle consent en outre à ce que les délais fixés par l'article 21 de son cahier des charges, touchant les avis préalables à donner en cas de modification des conditions ou des prix des tarifs soient uniformément portés à deux mois.

Ces avis seront insérés dans le Journal officiel du Gouvernement Impérial ottoman, le Journal de la Chambre de Commerce ottomane et dans un autre journal publié en langue européenne.

III.

En cas d'un embranchement de Bassora (Zobéir), ou de tout autre point de la ligne principale au Golfe Persique, des arrangements seront conclus en vue de faciliter le trafic direct, sans rupture de charge, de et vers le réseau de Chemin de Fer de Bagdad, et il y aura sur cet embranchement une complète protection contre toute tarification différentielle, soit directe ou indirecte, comme il est prévu à l'article 2, alinéa 1er, pour le Chemin de Fer de Bagdad.

IV.

Le Gouvernement Impérial ottoman s'engage à exécuter les travaux nécessaires pour l'amélioration des conditions de la navigation sur le Chatt-el-Arab, comme aussi de maintenir le chenal du fleuve libre de tout espèces d'obstacles, de manière que les navires de mer d'un tirant de pieds puissent passer sans encombre au moins jusqu'au port de Bassora.

V.

La construction et l'exploitation du port de Bassora, prévues à l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903, seront assurés par une société anonyme ottomane à former dans ce but, et dont les actes de concession et les statuts seront arrêtés d'un commun accord

entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad.

Le Gouvernement Impérial ottoman se réserve le droit de conférer ses droits de contrôle sur le port de Bassora à la commission qu'il se propose de charger de l'amélioration et du maintien de la navigabilité du Chatt-el-Arab.

VI.

En ce qui concerne le port de Bagdad, la Société du Chemin de Fer de Bagdad conserve son droit de le construire et de l'exploiter elle-même.

VII.

Aucuns frais généralement quelconques, n'importe sous quel titre, ne seront imposés dans les ports de Bassora et de Bagdad aux navires et aux marchandises, quels que soient la nationalité, le propriétaire, le pays d'origine ou de destination des marchandises, et quels que soient les lieux de provenance ou de destination des navires et des marchandises, en tant qu'il ne s'agira pas d'une mesure générale applicable indistinctement et uniformément à tout le monde, sans exception et sans privilège spécial d'aucune sorte en faveur de qui que ce soit.

Pour tout ce qui concerne le stationnement, l'embarquement et le débarquement des navires dans ces deux ports, aucuns privilèges ou facilités ne sauraient être accordés à des navires généralement quelconques, en tant qu'ils ne seront pas accordés également et dans les mêmes conditions, à tous les autres navires.

VIII.

La Société du Chemin de Fer de Bagdad aura le droit d'assurer les communications avec ses stations, partout que de besoin, par l'établissement de services de transbordement entre les deux rives des fleuves, au moyen de remorqueurs, de barcasses ou de toutes autres embarcations à vapeur ou à moteur, chalands, &c., de 80 tonnes registrées anglaises au maximum. La Société aura également le droit d'affecter à ces mêmes services des ferry-boats d'un tonnage supérieur.

Ce matériel fluvial jouira de toutes les exemptions de droits d'entrée et autres dont jouit le matériel roulant du chemin de fer, et il sera de même exonéré de tous impôts, redevances ou taxes généralement quelconques de navigation et autres.

Les combustibles nécessaires pour ces services jouiront de la franchise douanière au même titre que ceux consommés par le chemin de fer, et celui-ci aura le droit d'en opérer le transport dans les mêmes conditions que ceux destinés à son exploitation.

Les recettes des services susvisés restent acquises à la Société du Chemin de Fer de Bagdad.

(No. 3.)

Official German Draft of proposed Agreement between Bagdad Railway Company and Ottoman Government.

(Communicated by Herr von Kühlmann, November 14, 1913.)

I.

LA Société du Chemin de Fer de Bagdad renonce à la concession de la construction et l'exploitation de l'embranchement partant de Bassora (Zobéir) ou de tout autre point de la ligne et aboutissant à un point du Golfe Persique (article 1er, No. 4, de la Convention du 20 février (5 mars), 1903), ainsi qu'au droit de construire et exploiter un port à un point situé au Golfe Persique (article 23 de cette même Convention).

II.

La Société du Chemin de Fer de Bagdad confirme qu'elle continuera comme par le passé à appliquer à toutes les marchandises d'une catégorie identique qui pourront lui être présentées en vue d'être transportées par chemin de fer, entre les mêmes stations et dans les mêmes conditions, un régime parfaitement égal, tant pour le tarif en vigueur qui leur sera imposé que pour les facilités dont elles jouiront, quels que soient respectivement :

(*a.*) Le pays d'origine des marchandises importées dans l'Empire ottoman ;

(*b.*) Le pays de destination des marchandises exportées de l'Empire ottoman ;

(*c.*) Les pays d'origine et de destination des marchandises en transit par l'Empire ottoman ; et

(*d.*) Le pavillon et l'armateur des bâtiments sur lesquels les marchandises sont importées ou exportées par les ports ottomans.

La Société du Chemin de Fer de Bagdad consent, en outre, à ce que les délais fixés par l'article 21 de son Cahier des Charges, touchant les avis préalables à donner en cas de modifications des conditions ou des prix des tarifs, soient uniformément portés à deux mois.

Ces avis seront insérés dans le Journal officiel du Gouvernement Impérial ottoman et dans le Journal de la Chambre de Commerce ottomane de Constantinople.

Les mots "les mêmes conditions" employés dans le présent article signifient les mêmes conditions de poids, d'emballage et de vitesse (grande, petite ou autre), la même catégorie de marchandises et les mêmes stations de départ et d'arrivée.

Ces dispositions s'étendront dans la mesure où elles y sont applicables au régime appliqué par la Société du Chemin de Fer au transport des voyageurs entrant dans l'Empire ottoman, le quittant ou traversant son territoire, et de leurs bagages. Toutefois, elles ne s'appliqueront pas au transport des émigrés et des indigents et de leurs bagages. Aux fins du présent alinéa, le terme "émigrés" se rapporte aux personnes venues s'établir dans les limites de l'Empire ottoman qui sont transportées par les soins de la Commission des Émigrés.

III.

En cas d'exécution d'un embranchement de Bassora ou de tout autre point de la ligne principale, au Golfe Persique, des arrangements seront conclus en vue de faciliter le trafic direct, sans rupture de charge, de et vers le réseau du Chemin de Fer de Bagdad, et il y aura sur cet embranchement une protection complète contre toute tarification différentielle, soit directe ou indirecte, comme cela est prévu à l'article 2 pour le Chemin de Fer de Bagdad.

IV.

Le Gouvernement Impérial ottoman s'engage à exécuter les travaux nécessaires pour l'amélioration des conditions de la navigation sur le Chatt-el-Arab, comme aussi de maintenir le chenal du fleuve libre de toutes espèces

d'obstacles, de manière que les navires de mer d'un tirant de 24 pieds puissent passer sans encombre, au moins jusqu'au port de Bassora.

V.

La construction et l'exploitation du port de Bassora, prévues à l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903, seront assurées par une Société anonyme ottomane à former dans ce but et dont les actes de concessions et les statuts seront arrêtés d'un commun accord entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad.

Le Gouvernement Impérial ottoman se réserve le droit de conférer ses droits de contrôle sur le port de Bassora à la commission qu'il se propose de charger de l'amélioration et du maintien de la navigabilité du Chatt-el-Arab.

VI.

En ce qui concerne le port de Bagdad, la Société du Chemin de Fer de Bagdad aura le droit, soit de le construire et de l'exploiter elle-même, soit de conférer la construction et l'exploitation à une société à constituer *ad hoc*, dont la concession et les statuts seront analogues à ceux de la société à former pour la construction et l'exploitation du port à Bassora.

VII.

Aucuns frais généralement quelconques, n'importe sous quel titre, ne seront imposés dans les ports de Bassora et de Bagdad aux navires et aux marchandises, quels que soient la nationalité, le propriétaire, le pays d'origine ou de destination des marchandises, et quels que soient les lieux de provenance ou de destination des navires et des marchandises, en tant qu'il ne s'agira pas d'une mesure générale applicable indistinctement et uniformément à tout le monde, sans exception et sans privilège spécial d'aucune sorte, en faveur de qui que ce soit.

Pour tout ce qui concerne le stationnement, l'embarquement et le débarquement des navires dans ces deux ports, aucuns privilèges ou facilités ne sauraient être accordés à des navires généralement quelconques, en tant qu'ils ne seront pas accordés également et dans les mêmes conditions, à tous les autres navires.

VIII.

La Société du Chemin de Fer de Bagdad aura le droit d'assurer les communications avec ses stations, partout que de besoin, par l'établissement de services de transbordement entre les deux rives des fleuves, au moyen de remorqueurs, de barcasses ou de toutes autres embarcations à vapeur ou à moteur, chalands, &c., de 80 tonnes registre anglais au maximum. La Société aura également le droit d'affecter à ces mêmes services des ferry-boats d'un tonnage supérieur.

Ce matériel fluvial jouira de toutes les exemptions de droits d'entrée et autres, dont jouit le matériel roulant du chemin de fer, et il sera de même exonéré de tous impôts, redevances ou taxes généralement quelconques, de navigation et autres.

Les combustibles nécessaires pour ces services jouiront de la franchise douanière au même titre que ceux consommés par le chemin de fer, et celui-ci aura le droit d'en opérer le transport dans les mêmes conditions que ceux destinés à son exploitation.

Les recettes des services susvisés restent acquises à la Société du Chemin de Fer de Bagdad.

[51815] No. 137.

Sir L. Mallet to Sir Edward Grey.—(Received November 14.)

(No. 570.)
(Telegraphic.) *Constantinople, November 14, 1913.*

MY telegram No. 562 of 11th November.

Following from consular officer at Basra, No. 96 :—

"As far as I am informed, Jaffer's connection with Germans consists of trade facilities only, and they have no share in the concern. Jaffer buys coal and barges from them, and carries their cargo to Bagdad, getting advances on freight occasionally up to 3,000*l*.

"Returns of Jaffer's Basra–Bagdad river service for 1912 show as follows: Passengers up, 3,205; passengers down, 3,809; freight up, 4,326 tons; freight down, 4,091 tons.

"Jaffer's company now owns four steamers and some barges, and has no other assets. Jaffer is said to hold two-thirds of the nominal capital of £T. 35,000, and rest belongs to seven shareholders, of which four are Persians and three Turks. Amount of capital there will be perhaps exaggerated.

"I think that Jaffer must have some inkling of what is going on. I learn to-day that there is trouble between him and other shareholders who, he alleges, have no participation in his river interest.

"I presume you want information about financial position and assets of Jaffer's navigation company and not of Jaffer personally.

"No other permit is being worked. I believe one was granted some years ago to a native Christian, but nothing came of it. I am enquiring further on this and other points and will report by telegraph."

[51867] No. 138.

Mr. Dering to Sir Edward Grey.—(Received November 15.)

(No. 314.)

Sir, *Rome, November 9, 1913.*

I HAVE the honour to report that a report by Dr. Adelchi Ricciardi has been published by the Commercial Department of the Italian Foreign Office on Adalia and its hinterland, of which extensive extracts have appeared in the daily press.

This report appears to me to have been published with a purpose in connection with Italian projects in those regions, respecting which I have recently had occasion to report to you, and I have therefore reproduced certain portions of it in the hope that they will not be without interest at the present juncture.

A detailed description is given of the Mutessariflik of Adalia, its vegetation, rivers, roads, agriculture, industry, and climate. The principal channel of communication with the interior is stated to be the carriage road from Adalia to Buldur, one of the best in the whole district, which might with better care become a good automobile road.

As regards railways, the report states that, although there are none at present in the Mutessariflik, there are, it appears, projects for joining Adalia to the Ottoman Asiatic Railway. Such a line would skirt the carriage road leading from Adalia to Buldur as far as Baradis, "but there is no concrete project at present." The construction of this line would not present many difficulties, and would render infinite services to Adalia by linking it up with Smyrna, Constantinople, Konia, and especially with the rich plateau of Sparta, Buldur, and Egherdir.

"We are assured that the region has recently been visited by two engineers to see if there is a possibility of constructing a trunk line direct from Adalia to Konieh. It is said that the Ottoman Government would directly undertake this construction, but we are inclined to doubt it. Further, in our opinion, such a line would present considerable difficulties of construction, and would be of less use for the commerce of Adalia."

Under "maritime communications," the existing Italian lines are cited as facilitating communication with Italy and the Ægean islands, and mention is also made of the two further services which have been initiated in October by the "Società Italiana dei Servizi Marittimi" to Venice and the Piræus.

The American Archipelago Steam Navigation Company, which has a weekly service to Smyrna and the islands, has, it is stated, earned enormous profits during the war with Greece owing to the absence of Greek shipping and the company's consequent ability to raise the freights tariff.

An inspector of the Austrian Lloyd has recently visited Adalia to examine whether that company should extend its line, which runs from Trieste to Alexandria, to Adalia and Mersina, and is believed to have reported that the terminus had best be at Mersina, not Adalia.

Banking conditions are not considered to be flourishing at present, commerce not being of an extended nature, and credit being bad. The rate of interest charged by the Imperial Ottoman Bank is stated to be 9 per cent.

This report has clearly been published with a view to educating and accustoming public opinion to the idea that there is a future at Adalia for Italian capital and commercial enterprise. It contends, in fact, recommendations to Italian capitalists to examine of what agricultural development the district is capable, to Italian merchants not to neglect the opportunity to take up a predominant position in extending the local trade, and states that any fuller details may be obtained on application to various Italian Chambers of Commerce, or to the Commercial Department of the Foreign Office in Rome.

I have, &c.
HERBERT G. DERING.

[51838] No. 139.

Ottoman Railway from Smyrna to Aidin to Sir Edward Grey.—(Received November 15.)

Winchester House, Old Broad Street, London,

Sir, *November 14, 1913.*

I HAVE been requested by Lord Rathmore, the president of the company, to inform you that he has now had the advantage of conferring with his colleagues on the

suggestions of his Highness Hakki Pasha and the other matters which you were good enough to communicate in your letters of the 30th ultimo and 8th instant, and that they entirely agree that the transfer of the negotiations to Constantinople is most undesirable, and that they hope that you will resist any proposal with that object.

With regard to the change of nationality of the company, desired by his Highness Hakki Pasha, the Council adheres to its decision against such a change as communicated to the Foreign Office by letter dated the 1st October last.

My Council has given its very careful consideration to his Highness's suggestion that the purchase clauses under which the Ottoman Government have agreed to pay a sum of about 4,750,000*l.* at the termination of the Concession and on the faith of which the capital of the company has been raised should be cancelled in return for an extension of that term. My Council considers this proposal quite unreasonable and cannot entertain it. In fact they are of opinion that the moderate concessions which the company has asked for would, if coupled with either of the above conditions, leave this company not in a better, but in a much less favourable position than at present.

At the time that the concession to Egherdir was being negotiated in 1906, somewhat analogous suggestions were put forward by the Turkish Government, and some very wild and imaginary figures were quoted as to the value of the fifteen years extension of time then granted. My Council would respectfully refer you to the reply of the company of the 14th November, 1905, to the letter from the Foreign Office dated the 31st October, 1905, of which copies are enclosed. The reasons then put forward on behalf of the company still hold good and have been reinforced by the actual experience of the last eight years.

As regards the extension of the term of concession for forty-nine years, my Council would be willing, if necessary, to accept the term of twenty-five years applied for by the company in November 1912.

But my company is immediately and deeply interested in the right to navigate Lake Egherdir as a natural corollary of the extension of the railway to that lake, which has been constructed at great expense. The request for these facilities appears to have been favourably regarded by the various Turkish Ministers to whom it has been referred, and the views of my Council upon it have been submitted to the Foreign Office by the president of the company in a letter dated the 26th August, 1913, in reply to a communication dated the 31st July, 1913.

There is another subject of extreme importance to my company at the present moment, namely, the current rumour of negotiations between the Ottoman Government and an Italian syndicate as to a projected line from Adalia, and on this subject also my Council believes that it can fully rely upon the British Government to protect the company's interests and its zone of territory from attack in the event of any such railway being constructed.

As regards the questions connected with the proposed branch to Sandikli and a junction with the Anatolian Railway, my Council would gladly consider in a most friendly spirit any views that may be put forward by the Ottoman Government.

I have, &c.
THOS. H. COOKE, *Secretary.*

Enclosure 1 in No. 139.

Foreign Office to Lord Rathmore.

My Lord, *Foreign Office, October 31, 1905.*

WITH reference to your letter of the 3rd October, I am directed by the Marquess of Lansdowne to transmit herewith, for the confidential information of your board, copy of a memorandum communicated to the Turkish Ambassador on the 13th October and of the reply which has now been received from his Excellency relative to the application of the Smyrna–Aidin Railway Company for permission to extend their system in the direction of Egherdir.

I am to direct your special attention to paragraphs 3 to 6 inclusive of Musurus Pasha's memorandum, where it is argued that the Turkish Government would, by agreeing to the construction of the proposed extension and to a prolongation for fifteen years of the whole concession, lose a sum of more than 1,000,000*l.* It is presumed that the sum of 7,270*l.* per kilometre which is specified in paragraph 7 of the Ambassador's memorandum as the price at which the Turkish Government are eventually to take over

the system represents an average price for the original line and all subsequent extensions including that now under discussion.

Lord Lansdowne would wish to be favoured at your early convenience with the observations of your board on this memorandum.

His Lordship proposes also to consult His Majesty's Ambassador at Constantinople before replying to Musurus Pasha.

I am, &c.
T. H. SANDERSON.

Enclosure 2 in No. 139.

Memorandum.

THE memorandum from the Turkish Ambassador of the 4th September maintains that the Smyrna–Aidin Railway Company has always been treated with special favour and consideration and, in support of this assertion, states (1) that the Imperial Ottoman Government waived their right to withdraw the concession and seize the railway on the grounds that the line had not been completed within four years the term stipulated in the contract; and (2) that, notwithstanding the failure of the company to fulfil its contractual engagements in this respect, the Government has granted to it an extension of the period of construction.

In reply to this assertion it should be observed:—

1. That at the time when the original concession was granted, the Imperial Ottoman Government were only too anxious to induce foreign capitalists to undertake the construction of railways in Turkey and the facilities afforded in this respect to the Smyrna–Aidin Railway cannot, therefore, be regarded as a special favour granted to this company which was at the time the only financial combination willing to be the pioneers of railway construction in the Ottoman Dominions and to accept the risks attendant on such an enterprise.

2. An extension of the contract time such as has been accorded to the Smyrna–Aidin Railway Company cannot be considered as an exceptional privilege inasmuch as it is the almost invariable practice in Turkey.

There are numerous instances of similar action in the case of other foreign concessions for the construction of railways and public works in Turkey, of which may be cited, *e.g.*, the Oriental railways (Turkey in Europe) which were not completed till many years after the date originally stipulated; the Moudania–Broussa line, which was only completed after having been abandoned for seventeen years; the Light House Concession, which only came into operation four years after its signature, owing to delay in establishing the stipulated lights; and the quays at Smyrna whose completion was also considerably delayed.

With regard to the increase of the guarantee from 72,000*l.* to 112,000*l.*, the memorandum of Musurus Pasha entirely ignores the fact that the Ottoman Government has never paid a single penny of the interest due to the company under the contract, and that the extensions of the period of construction and of the length of the railway were given as a set-off against the large sums due by the Government to the company on this score, which amounted to over 1,000,000*l.*

The other railway concessions to which Musurus Pasha refers, and with which he seeks to compare the Smyrna–Aidin Railway, were granted for ninety-nine years and carry with them heavy kilometric guarantees, whereas the Smyrna–Aidin Railway enjoys no such guarantee, and, as already stated, the company has never received payment of the money due to it as interest on capital expenditure. It cannot be argued that an undertaking to pay 6 per cent. on the working capital of the company—which, in fact, was never carried into effect—constitutes a larger concession or a heavier obligation than the kilometric guarantees accorded to the Anatolian and French railways in Asiatic Turkey, which have been regularly paid on the completion of the lines and their opening to traffic. In fact, whatever the original intention may have been, a promise which has never been fulfilled constitutes clearly no favour or concession at all, and has imposed on the Ottoman Government no charges or sacrifices.

The memorandum of the Turkish Ambassador cites as an instance of the special privileges and favours accorded to the Smyrna–Aidin Company the permission to erect certain buildings for the disembarkation and transport of merchandise. This permission,

so far from being a special favour, was in reality a definite and incontestable right acquired by the company in virtue of one of the articles of their concession; but it was only after considerable delay and repeated representations of the most pressing and earnest description on the part of His Majesty's Embassy, extending over some years, that the Imperial Ottoman Government could be induced to recognise the validity of the company's claim and sanction the construction of the buildings in question.

The statement that the Government must refuse the demands of the company in respect of the proposed branch lines on the ground that the conditions attached by the Company to their construction would result in an enormous sacrifice for the Imperial Treasury, for which it would obtain no compensating advantage, is in no way justified by the actual facts. The company undertakes at its own risk and cost to prolong its existing railway system to Lakes Egherdir and Bouldour, and naturally asks for some compensation for so doing in the form of a fifteen years' extension of its concession; but on the other hand, it offers to sell these branch lines to the Ottoman Government, on the expiration of the concession, for 5,500*l.* per kilometre which is a most moderate price for a railway handed over, after so few years, in full working order by a concessionnaire company to the State. Moreover, the price asked is only 50 per cent. of the cost of construction of the Anatolian and other railways in Turkey.

The above remarks deal directly with the points raised in the memorandum of the Turkish Ambassador.

But in considering the application of the company the Ottoman Government are bound both in justice to the company and in the interests of the Empire to take into account the beneficial results which have followed on the construction of the Smyrna–Aidin Railway, both as regards the development of the resources of the country through which the line passes, and in respect of the increased revenue which has been derived from the expansion of trade.

The Smyrna–Aidin Railway, unaided by any subsidy from the Ottoman Government such as is now invariably conceded to similar enterprises in Turkey, has opened up a practically undeveloped tract of country, and as a result of the increased facilities for transport and circulation which it affords, a high Turkish official has admitted that the revenue of the vilayet has increased more than threefold (from £T. 360,000 to £T. 1,600,000) since the inauguration of the railway. Further, it is an established fact that in every instance of the construction of a railway in the Ottoman dominions an increase of two-fifths in the revenue of the district traversed by the line has been recorded in the local budget.

Enclosure 3 in No. 139.

Translation of Statement from Musurus Pasha.

THE Sublime Porte regrets that the British Government does not regard from the same point of view the requests presented by the Aidin Railway for the extension of its concession and the extension of its lines; it repeats again that these requests are exorbitant.

The company cannot justify them by citing the desire of the Imperial Government to have a railway in the vilayet of Aidin, for it could easily have found another contractor than a company who (see the text of the 1863 Convention) was forced to recognise its own impotence in carrying out its engagements.

It is not true to say that the Imperial Government had only to apply the clauses of the convention when it was forced to submit to a heavy sacrifice in authorising the company to establish at the station called "Point" the considerable works which are now in course of execution, and which by facilitating the lying alongside at this place of numbers of steamers using the port will have the effect of reducing in a very tangible way the portion belonging to the Imperial Government in the profits of the Smyrna quays. It is true that the convention gave to the company the right of making certain works at the "Point" (the right of which it had, on the other hand, made use of a long while ago), but it did not go so far as to permit it to carry out works of the kind, and of the importance of those which the Imperial Government has authorised. This is sufficiently proved, as the company with very good grace has consented on its side to limit to certain articles, such as cereals, the goods which are to be passed by the Pier at the "Point," and on the other hand to reimburse to the Quay Society half of the quay dues to be paid by such goods. Further, the Imperial Government had only mentioned the numerous sacrifices to which it had consented for the purpose of replying

to the company who posed as a victim, and not for the purpose of making an argument against the present request.

Musurus Pasha recalls, what has been already established by ascertained figures, that the extension of fifteen years claimed by the company would be equivalent for the Imperial Government to a sacrifice of at least 1,100,000*l.* The company has, it is true, pretended that this figure is very much exaggerated, but it has never endeavoured to prove such an assertion, because it evidently recognised that this estimate, if it was studied, was less than the reality.

To the objection that the extension would not lead to any sacrifice on the part of the Government, since the Treasury would pay nothing during this period, the Imperial Government replies that it undoubtedly will lose the profits that it would realise during the said period, and which would be deducted from the amount to be paid by the Government for the purchase of the railway.

Further, it is evident beyond all calculation that the extension of fifteen years represents a large profit, more certainly in the interests of the principle, without which the company would not insist in obtaining it; it would insist on quite the contrary, that the whole system should be purchased as soon as possible.

There would then be a large profit, and the Imperial Government does not see why it should benevolently renounce that, since there is no clause in the convention which obliges it to do so. It does not see, further, how the fact of having granted guarantees to certain other lines of railway can be a sufficient motive for it to make a sacrifice of 1,100,000*l.* in favour of the company.

It must not be lost sight of that the obligation of purchasing the system of the company at the expiration of the concession is so much the more onerous for the Imperial Treasury as the amount to pay under this head represents about 7,270*l.*, say 182,000 fr. per kilometre, and it is to be noted, on the other hand, that the company keeps the sum total of all its receipts whilst the guarantee companies to which allusion has been made, pay to the Treasury a portion of their gross receipts as soon as they exceed the amount necessary for working expenses as well as for the financial service of the capital.

As regards the branches of Egherdir and Buldur, we must not close our eyes to the fact that the Anatolian Railway claims a considerable annual indemnity for the damages of competition which it will have to bear from the extension of these two branches.

It is true that this claim is in no way justified, and can, with reason, be qualified as exorbitant, but it is not more so than that of the Aidin Company which claims the concession of two lines purely local without interest for the Government, and which it would have to purchase at the expiration of the concession at a very high price without counting that these lines will be the cause to the Imperial Government of great difficulty with the Anatolian Society.

In reply to the objection that the price demanded by the company is not too high if comparison is made with the price granted to the Bagdad Railway, the Government begs to observe that no analogy exists between the cost of these two local branches, constructed on land, very easily levelled, and without economical conditions, and the cost of a line of first class which has to bear great speeds. For the rest, the price of the Bagdad Railway is the average applicable to a system of more than 2,500 kilometres, and this average has to take count of exceptionally difficult parts to be cleared, the Taurus, for example, as well as certain exceptional circumstances which render the works extremely expensive, such as want of workmen and of materials in certain parts, difficult transport and great distances.

The foregoing should suffice to show that the Imperial Government does not see its way, in the present state of circumstances, to grant, without serious inconvenience, the branches of Egherdir and Buldur, even if the company should reduce its expectations.

Musurus Pasha expresses then the hope that the Marquess of Lansdowne will appreciate the considerations upon which the Imperial Government rests in this business.

Enclosure 4 in No. 139.

Lord Rathmore to Sir T. Sanderson.

Dear Sir, *November* 14, 1905.

I HAVE to acknowledge receipt of your favour of the 31st ultimo, transmitting copy of a memorandum communicated by His Majesty's Government to the Turkish

Ambassador on the 13th October last, and of the reply thereto received from his Excellency.

I have placed these papers before the Council of Administration, and the points discussed therein have received the full consideration of my colleagues and myself. We note that our attention was specially directed to paragraphs 3–6 inclusive of the memorandum of Musurus Pasha. I have now the honour to submit, for the information of the Marquess of Lansdowne, the following replies and explanations in connection with the two memoranda under consideration.

1. Inasmuch as this company has been in existence for a period of forty-nine years, and as the majority of those who had the management of its affairs in its early days have long since passed away, it is impossible to enter upon any serious discussion whether, at the time, any other contractors could have been found to construct the railway, and I have only to say that so far as any information upon the subject can be obtained, the conclusions we arrive at are diametrically opposed to those which appear to have presented themselves to His Excellency Musurus Pasha.

2. As regards the next point taken by his Excellency, it is sufficient to say that, in the opinion of my council, the authorising of the construction of the pier and warehouses now being erected, in no way can be described as a resignation of the Imperial Government to a heavy sacrifice. This company adheres to its claim that it was authorised by the original concession to construct these works, but as the Imperial Government only refers to this question incidentally, it will be sufficient to say that any additional facilities for unloading steamers, by the extension of the pier into deeper water, and of additional accommodation for handling merchandise at the port of Smyrna, must tend to develop the trade of that port and to improve the revenues of the Imperial Government from that vilayet. At the present moment our company is at a heavy cost to provide these additional facilities, but we confidently believe that the result will be satisfactory to ourselves, and also commend itself to the Imperial Government as a great advantage to its revenues.

3. The assertion of his Excellency, Musurus Pasha, that the prolongation of the concession for a period of fifteen years from 1935 would entail upon the Imperial Government a loss of 1,100,000*l.* necessitates my replying in some detail. You will find, moreover, that this particular statement is absolutely contradicted in another part of the memorandum of Musurus Pasha.

The estimate of the loss of 1,100,000*l.* appears to be based upon the assumption that the Turkish Government will be enabled to raise the sum of 3,725,000*l.* at 5 per cent. per annum, and that in addition to earning this annual sum a further annual profit of 50,000*l.* will be earned by the Turkish Government during the fifteen years, and that this amount accumulated at compound interest will amount to the large sum quoted as a loss if the concession be extended. The experience of this company in the past does not warrant any such estimate. The railway is entirely dependent on agricultural produce. A failure of the crops on account of the seasons, or, as on former occasions, through locusts, may reduce the net earnings, as in 1898, below 103,000*l.*, and any one year of disaster would upset the whole calculation. As a matter of common prudence it is necessary to take a period of ten years to arrive at the probable average net income, and this average for the past ten years works out in our case at 173,566*l.*, which would be below the actual amount of interest to be paid by the Imperial Government upon the money it would have to borrow for the purchase of the line. Moreover, it should not be lost sight of that our line is not a new one; that in an agricultural district the traffic tends to develop to its full expansion in a few decades, and the valleys through which we run are only capable of a limited expansion of cultivation. Moreover, it is the universal experience of all railways that working expenses tend to grow and profits disappear unless gross earnings keep expanding. This fact, however, appears to be entirely ignored by his Excellency, and, moreover, he would seem to take no note of the fact that an additional amount will have to be paid to this company when the system is taken over, for all rolling stock and movables which we may then hold, and without which the railway cannot be operated. But in a later paragraph of his Excellency's memorandum he refers to what he describes as the obligation of purchasing the system of the company at the expiration of the concession as onerous upon the Imperial Treasury, a description directly opposed to his previous estimate of an annual profit of 50,000*l.* per annum from taking over the property. Surely, if the estimates submitted by his Excellency are well founded, it is curious and inexact to describe the privilege of purchasing a system which can be so confidently

relied upon to provide 50,000*l.* net profit per annum during fifteen years as an onerous obligation upon the Imperial Treasury. Moreover, the obligation itself does not exist as an obligation; it is only an option. The Turkish Government will be able to purchase the entire system in 1935 if they so desire, but they are not compelled to do so unless they regard it as a profitable operation.

The contention that unless we knew there would be a large profit after 1935 we should insist on being paid off then is met by the fact that we have no such right as is implied. The Government have only an option to purchase, and we should remain in doubt whether they would exercise it up to the last. We prefer to take a risk of the next fifteen years to the uncertainty. It is a fair commercial risk, but we must disclaim the knowledge of what will be the net income in forty years' time, and we are not a little surprised that anyone should attach importance to figures founded on such a forecast.

4. The object of this company in asking for a prolongation of the existing concession is that in constructing the Egherdir extension, it will have to incur a considerable risk, and it may be some years before that extension will earn the full interest upon the capital expended, and while it will at once in all probability increase to a moderate extent the revenues of the original line and ultimately become a valuable and paying property both for itself and the parent system, it will yet take several years to complete the line and to cultivate the business, and it appears to my colleagues and myself manifestly unfair that after only a limited period of enjoyment, the benefits which may be fully realisable in 1935 should be then handed over to the Imperial Government at bare cost. And it is with the view of securing this company in the longer enjoyment of the ultimate profits of this line, that an extension of the concession for the existing system has been asked.

5. I would further explain, for the information of his Lordship, that at the time when the Convention of 1888 was accorded, the amount of arrears due to this company from the Imperial Government on account of guaranteed interest, was 688,000*l.* without computing interest upon the arrears, while if interest had been calculated the amount due would have been at least 1,000,000*l.* The payment of this debt was postponed for a period of forty-seven years, without interest, and I find that the then present values of these sums would have been as under:—

(*a.*) If we take the debt as 688,000*l.*, its then present value would have been about 69,453*l.* compounded upon a basis of 5 per cent., and 44,485*l.* if compounded upon a basis of 6 per cent.

(*b.*) In like manner, a debt of 1,000,000*l.* would have had a then present value of 100,494*l.* if compounded upon a basis of 5 per cent., and 64,658*l.* upon a basis of 6 per cent.

Certainly the large concession then made by this company to the Government can hardly be looked upon as a benevolence on the part of the Imperial Treasury to this company. But my colleagues and I desire to say most emphatically that we are in no way complaining of the Imperial Government herein, and only state these facts by way of explanation and in deprecation of the implied reproaches which are made against us.

6. The Marquess of Lansdowne has asked specifically as regards the price at which the Imperial Government would take over the property in 1935 if it should then purchase it. I have the honour, therefore, to state that:—

(*a.*) Under the terms of the 1888 Convention, the price to be paid by the Government for the existing 320 miles is 3,725,500*l.*, which is equivalent to 11,642*l.* per mile, or 7,277 per kilometre.

(*b.*) The proposed extension to Egherdir and Bouldur is about 65½ miles, and the Government is asked to pay for the same in 1950 in terms of the proposed concession at the rate of 8,500*l.* per mile, or 5,280*l.* per kilometre, or, say, a gross sum of 556,750*l.*

(*c.*) Assuming that the Imperial Government grant the concession now asked, and should in 1950 purchase the entire system and extension on the terms described above, the cost to the Imperial Government would be a total sum of 4,282,250*l.*, which works out at the rate of 11,108*l.* per mile, or 6,942*l.* per kilometre, upon a mileage of 385½ miles.

7. The only other point with which I need trouble you is as regards the argument advanced by Musurus Pasha in connection with the Anatolian Railway. The large

[51713] No. 141*.

Sir Edward Grey to German Chargé d'Affaires.

Sir, *Foreign Office, November* 15, 1913.

I HAVE the honour to acknowledge the receipt of the note which you were good enough to address to me on the 4th instant relative to the levy of shipping dues in the Shatt-el-Arab.

In reply, I have to inform you that, in the view of His Majesty's Government, and, so it is understood, in that also of the Ottoman Government, at any rate vessels carrying on the regular transport of passengers and cargo on the Shatt-el-Arab, even if not crossing the bar, should contribute on a reduced scale to the river dues, regard being had to the fact that they will not directly benefit from the works at the bar of the river, but probably to a minor extent from other services rendered by the Commission. It therefore seems just that they should contribute to the expenses of the Commission on a reduced scale, a point which can be discussed further with the German Government at an early date should they desire to do so.

I am, &c.
E. GREY.

advantages and concessions already made to them have resulted in their tapping tracts of country which this company, the pioneer railway of the Empire, might legitimately have considered to be within its own proper sphere and territory, and it seems carrying out an argument too boldly for the Anatolian Railway, after already despoiling us by encroaching largely upon our legitimate trade, to complain and protest that they are not allowed to eat more off our plate and to claim an indemnity for not trespassing further upon our natural districts. But I need not enlarge upon this, because his Excellency, Musurus Pasha, has himself stated that the claim is not justified, and qualifies it as exorbitant, both of which statements commend themselves to my colleagues and myself as accurately representing the facts of the case.

I have, &c.
RATHMORE.

[52023] No. 140.

Sir L. Mallet to Sir Edward Grey.—(Received November 15.)

(No. 572.)
(Telegraphic.) R. *Constantinople, November* 15, 1913.

YOUR telegrams Nos. 536 of 13th November and 521 of 8th November.

Grand Vizier told me to-day that German Government had not asked for any participation in Turkish share. I expressed great surprise, whereupon his Highness asked why I thought such a demand should have been made, and assured me several times th atwhat he had told me was a fact.

I think German Government cannot have mentioned question here, but will negotiate it at Berlin with Djavid.

As regards interpretation of article 23 of Bagdad Railway Convention, Ottoman Government hold decidedly that concession is exclusive to Germans.

I have asked for copy of instructions to Hakki.

[52027] No. 141.

Mr. O'Beirne to Sir Edward Grey.—(Received November 15.)

(No. 386.)
(Telegraphic.) R. *St. Petersburgh, November* 15, 1913.

MY telegram No. 383 of 11th November: Shatt-el-Arab.

I explained urgency of this matter to Acting Minister for Foreign Affairs yesterday. He said he was in doubt as to juridical position as regards Russian treaty rights which would result from convention taken together with additional declaration. He alluded particularly to power given to Commission by article 7 to inflict imprisonment in certain cases. He promised me a reply as soon as he hears from Russian Ambassador at Constantinople.

[51939] No. 142.

Foreign Office to Messrs. Slaughter and May.

(Most Confidential.)
Gentlemen, *Foreign Office, November* 15, 1913.

I AM directed by Secretary Sir E. Grey to state that, as you are probably aware, he is in receipt of a communication from Mr. H. F. B. Lynch, dated the 29th October, enclosing a memorandum by Mr. Slaughter, on the subject of arrangements in connection with the navigation of the Rivers Tigris and Euphrates.

With reference to this communication from your client, I am to say that, without entering into controversy, Sir E. Grey is unable to accept the accounts given in the documents referred to either as complete or as entirely accurate so far as they relate to the attitude or action of this Department.

With regard to the question of including the emoluments arising from the management of the Belgian company (the Société des Transports fluviaux) as part of the revenues of the proposed joint management company, it is true that in the proposals contained in the Foreign Office memorandum of the 19th May no mention was made of the Belgian company, and it is observed that Mr. Lynch's proposals of

the 13th August were themselves silent as regards this subject. It appeared, however, reasonable to suppose that there would be distinct advantages in extending the operations of the management company, if established, to the management of the Société des Transports fluviaux, and that such an arrangement would, indeed, be equitable, and an intimation was accordingly conveyed by Mr. Parker to Mr. Slaughter at the meeting at the Foreign Office on the 8th September.

Mr. Parker then stated that Sir E. Grey considered that the management company should, if possible, have the management, and emoluments consequent thereon, of the Société des Transports fluviaux (the company entrusted with the conveyance of the material for the Bagdad Railway), and that Lord Inchcape should participate equally with Mr. Lynch in those emoluments.

Mr. Lynch and yourself cannot be unaware that in so far as the proposals put forward by your client on the 13th August were more advantageous to him than those contained in Sir E. Grey's memorandum, they cannot be looked upon as merely supplementary to the latter, but must to that extent be considered in the light of additional proposals necessitating some modification of those originally made from this Department.

As regards the position in respect of the Société des Transports fluviaux, to which a considerable portion of Mr. Slaughter's memorandum is devoted, the fact that the transfer of its management to the proposed joint management company might involve some pecuniary loss to your client has not been overlooked, but it is presumed that you are aware that the undertaking of the company in question is of a purely temporary character. It has been stipulated by His Majesty's Government that the operations of the company shall cease on the completion of the construction of the Bagdad Railway and that its vessels shall forthwith be removed from Turkish internal waterways, and in these conditions your client has acquiesced (see letter dated the 27th March, 1912, from Euphrates and Tigris Steam Navigation Company and Foreign Office reply of the 6th May, 1912). It is probable that this period will have arrived in about five years' time, so that whatever the emoluments of the management of the undertaking may be they have to be considered with this important qualification; and, further, any temporary loss which might be caused to Mr. Lynch in this matter would, in Sir E. Grey's opinion, probably be much more than offset by the permanent gain accruing to him from equal participation in the profits of management of the new Ottoman company, which are likely in the course of time to exceed the profits of management of the Euphrates and Tigris Steamship Company.

While therefore Sir E. Grey is not prepared to urge upon Lord Inchcape that the entire advantages set out in his memorandum of the 19th May, plus those contained in Mr. Lynch's proposals of the 13th August, should be conceded to your client, he has, nevertheless, been in communication with his Lordship with a view to ascertain the nature of the arrangements to which, having regard to all the circumstances, he would be prepared to consent. These are as follows:—

1. Assuming the capital of the new Ottoman company allotted at the first allotment to be 100,000*l.*, one-half would be allotted to Turkish interests.

2. Any German participation would have to be met altogether by the allotment of Turkish shares, and not independently of such shares.

3. The remaining half would be British, and Lord Inchcape would offer to Mr. Lynch or his nominees participation to the extent of 20,000*l.*, or 40 per cent., of this British capital.

4. The sum of 5,000*l.* in cash will be paid by Lord Inchcape to Mr. Lynch, partly in consideration of the emoluments and management of the Belgian company and partly of proposal 4 in the list contained in the memorandum of the 19th May.

5. The remaining 30,000*l.* of the British share, paid up in the same proportion as the 20,000*l.* referred to above, would be held by Lord Inchcape and his nominees.

6. The foregoing arrangements will be conditional on the joint management firm having the management of the Belgian company as well as that of the British company and the proposed Ottoman company, and the emoluments of management of all three companies. In this connection I am to express the hope that it may subsequently be found practicable to arrange for the acquisition by the new Ottoman company of the undertaking of the Société des Transports fluviaux on equitable terms, but not in such manner as to modify the distribution of interests in the Ottoman company.

Lord Inchcape will also have the power of directing that the British directors of the proposed Ottoman company shall, should he deem it advisable, vote in block. As regards the joint management company, it would be stipulated that he should, in

[52046] No. 143*.

Mr. T. Russell to Sir Edward Grey.—(Received November 16.)

(No. 169. Secret.)
(Telegraphic.) P. *Vienna, November 16, 1913.*

I LEARN from Dr. Streit that he has received information to the effect that the Turkish Government have unofficially arranged for a deputy of the Young Turk party to go to Rome with the object of there contracting a loan, the security for which would either be the revenue of one of the Ægean islands or a mortgage on it.

the unlikely event of disagreement, have the right to a casting vote. His Lordship would, as Mr. Lynch is already aware, further expect to have a seat on the board of the Euphrates and Tigris Company. It is possible, though Sir E. Grey hopes that the contingency may not arise, that objection may be taken by Ottoman or German interests to the transfer of the management of the new Ottoman company to the joint management company proposed to be formed by Lord Inchcape and your client alone, and, in that event, some modification of the scheme might be necessary in order to conciliate those interests. That possibility does not, however, affect the negotiations between your client and Lord Inchcape, and, after the fullest consideration, Sir Edward Grey is of opinion that a settlement on the lines indicated above would be equitable and in the interests of British trade in general. He would therefore be glad to learn at an early date that Mr. Lynch is prepared to accept the proposals set out above, failing which he fears that the new Ottoman company may have to be formed independently of your client.

Your client will of course understand that the settlement suggested is dependent upon acceptance of the two conditions indicated in Sir E. Grey's memorandum of the 19th May, to which the proposals contained in that memorandum were subject.

I am, &c.
EYRE A. CROWE.

[52024] No. 143.

Sir L. Mallet to Sir Edward Grey.—(Received November 16.)

(No. 573.)
(Telegraphic.) R. *Constantinople, November 16, 1913.*

MY immediately preceding telegram of 15th November.

I have reminded Grand Vizier of what was said to Hakki Pasha about German participation and of communication to Djavid. Would there be any objection to my saying we have stipulated that German participation in above shares should not exceed one-third?

[52280] No. 144.

Mr. Ashley to Mr. Parker.—(Received November 17.)

My dear Parker, *Board of Trade, November 17, 1913.*

THIS is a copy of the "record" which was communicated to Herr Stauss on Saturday, with a request that he would confirm it.

Yours very truly,
PERCY ASHLEY.

Enclosure in No. 144.

"Record" communicated to Herr Stauss.

I HAD to-day an informal conversation with Herr Stauss, who represents the Deutsche Bank, on the subject of a possible arrangement between the D'Arcy group, the Deutsche Bank, and the Anglo-Saxon Company, for the operation of a proposed concession for oil in the vilayets of Bagdad and Mosul. Herr Stauss sees objections to conceding 51 per cent. of the capital of the new company to the D'Arcy group, but he would support a proposal that the D'Arcy group should have 50 per cent., the Deutsche Bank 25 per cent., and the Anglo-Saxon Company 25 per cent. The first chairman of the company would be nominated by the D'Arcy group, and Herr Stauss is personally of opinion that the position of chairman would always be held by a representative of the same group, as representing the largest interest, unless there should be special reasons to the contrary at any time.

He would further agree that the British Government should have an option on fuel oil produced by the new company up to (say) 40 per cent. of the output, and I said I thought there would be no objection to a similar arrangement being made by the German Government. Herr Stauss would also agree that a fair proportion (say, 50 per cent.) of such of the higher employés of the company as are not Ottoman

subjects should be nominated by the Anglo-Persian Company, and should be British subjects, if competent British candidates were forthcoming.

I explained to Herr Stauss the apprehensions entertained by the Anglo-Persian Oil Company, who represent the D'Arcy group, that the new company might use its position to undersell the Anglo-Persian Oil Company in its own markets, and thus drive it into submission or amalgamation. Herr Stauss thought that such fears would be groundless in the event of the D'Arcy group having 50 per cent. of the control, especially as the Deutsche Bank would certainly not support any policy of the kind. It was agreed that Herr Stauss should speak to Mr. Detterding and that we (the Board of Trade) should communicate with the representatives of the D'Arcy group, so that direct communications might be opened up between the three groups on Herr Stauss's return from Berlin in about a week's time.

H. Ll. S.

November 14, 1913.

[52283] No. 145.

Sir L. Mallet to Sir Edward Grey.—(Received November 17.)

(No. 575.)
(Telegraphic.) *Constantinople, November* 17, 1913.

YOUR telegram No. 537 of 14th November.

Following from consul at Basra:—

"Your telegram of 15th November.

"Lynch pays 11 per cent. of customs dues on the certified invoice price of all fuel imported from abroad, and pays sanitary tax according to circular No. 101 on their steamers at plying with passengers from Mohammerah to Basra.

"No quarantine taxes are paid by their Bagdad–Basra river steamers."

[52282] No. 146.

Sir L. Mallet to Sir Edward Grey.—(Received November 17.)

(No. 576.)
(Telegraphic.) R. *Constantinople, November* 17, 1913.

MY telegram No. 574 of 17th November.

Grand Vizier tells me that, besides the Aga Jaffer, the municipality of Bagdad will have to be squared. I replied that this was the exclusive concern of the Turkish Government.

[52024] No. 147.

Sir Edward Grey to Sir L. Mallet.

(No. 541.)
(Telegraphic.) R. *Foreign Office, November* 18, 1913.

YOUR telegrams Nos. 572 and 573 of 15th and 16th November.

Hakki Pasha was informed in July that the Germans had asked for participation in the navigation company and consulted as to what participation might be allotted to them out of the Turkish share, so that there should be no suspicion of unfair play towards Turkey on our part. It was explained to his Highness that the German allotment could not come from the British shares, as to do so would deprive Lord Inchcape of control, which is both essential and in accordance with the declaration of 29th July. He himself suggested one-third of the Turkish share, which corresponds to about 16½ per cent. of the whole, and the Germans now want 20 per cent., to which, subject to Turkish assent and certain other conditions, we should be prepared to agree as a maximum. But, out of consideration for Turkey, we have not been willing to sign a convention with Germany to the effect that such participation would not be objected to on our part until we had been made aware of Turkish concurrence. As, however, five months have elapsed and no Turkish objections have been raised, we assume, and earnestly trust, that they will not be raised at this late stage.

Your Excellency may make a communication in the above sense to Grand Vizier, and inform his Highness that, the matter having been so carefully explained to Hakki Pasha four months ago, I am greatly annoyed by the delay and the consequent embarrassment I am experiencing in dealing with German negotiations.

[52046] No. 148.

*Sir Edward Grey to Sir L. Mallet.**

(No. 543.)
(Telegraphic.) P. *Foreign Office, November* 18, 1913.

ÆGEAN islands.

Is there any truth in the report mentioned to His Majesty's Chargé d'Affaires at Vienna by the Greek Minister? (See Mr. Russell's Secret telegram No. 169 of 17th November.) You should question the Minister for Foreign Affairs on the subject, but do not communicate to him the origin of your information.

[52046] No. 149.

Sir Edward Grey to Sir F. Bertie.†

(No. 415.)
(Telegraphic.) *Foreign Office, November* 18, 1913.

MR. RUSSELL'S telegram No. 169, Secret, of 17th November and my telegram No. 543 of 18th November to Sir L. Mallet: Ægean islands.

You should inform Minister for Foreign Affairs, and enquire whether French Government have received any information of this nature.

[52485] No. 150.

Revised Draft by Mr. Hurst of Article 6 of Anglo-German Convention.

ARTICLE 6.

THE Imperial German Government having taken note of the Anglo-Turkish Convention of under which the free navigation of the Shatt-el-Arab is assured to the shipping of all nations and a commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the Convention are conducive to the best interests of international commerce, will, so long as the duties imposed upon the Commission by the said Convention are satisfactorily carried out, uphold the Convention, and will undertake that German subjects and German shipping shall comply therewith, and with all regulations issued by the Commission, and shall duly discharge all obligations properly

* Also to Mr. Dering, No. 345, November 18, 1913.
† Also to Mr. O'Beirne, No. 752, November 18, 1913, *mutatis mutandis*.

imposed upon them in pursuance of the provisions of the said Convention.

The Imperial German Government take note in this connection of the declaration, signed on the and attached to the said Convention, to the effect that articles 7 and 8 of the above Convention do not affect the rights enjoyed in the Ottoman Empire by the nationals of the Treaty Powers.

His Britannic Majesty's Government on their part undertake that they will not, without a preliminary agreement with the Imperial German Government, consent to the imposition of dues exceeding 1 franc per registered ton.

If at any time the Imperial German Government are of opinion that the duties imposed upon the Commission are not satisfactorily carried out, or that the reasonable requirements of the commerce of the river in matters within the competence of the Commission are not adequately met, and if the Commission in such case has not seen its way to give effect to important recommendations laid before it in the interests of German shipping, with the object of removing the above-mentioned causes of complaint, His Britannic Majesty's Government will use their good offices with the Imperial Ottoman Government to ensure the reference of the questions whether in any particular respects the duties of the Commission have not been satisfactorily carried out, and whether there is good ground for thinking that the Commission, if maintained, will not be able to provide for the reasonable requirements of the commerce of the river to a Commission of Enquiry.

This Commission shall consist of three members, one of whom shall be appointed by the Imperial Ottoman Government, one by His Britannic Majesty's Government, and one by the Imperial German Government. The member appointed by the Imperial Ottoman Government shall be the President.

The procedure to be followed in the investigation of the questions referred to the Commission shall be determined by the Commission itself, but, subject thereto, shall be in general accordance with that followed by Commissions of Enquiry appointed under the Convention for the Pacific Settlement of International Disputes.

The Commission of Enquiry shall, unless the time is extended with the consent of all parties,

Alternative.

This Commission shall consist of five members to be drawn from the Powers most interested by reason of the magnitude of their shipping in the Shatt-el-Arab; the Ottoman member of this Commission shall be the President.

publish its report within six months of its appointment. The Government of His Britannic Majesty will use their good offices with the Imperial Ottoman Government to ensure that the proposals contained in such Report are carried out.

[52549] No. 151.

Herr von Kühlmann to Sir Edward Grey.—(Received November 19.)

(Translation.)

Sir, *London, November 14, 1913.*

I DO not fail to communicate at once to the Imperial Government the proposals made by you with regard to the declarations to be made by the Bagdad Railway Company to the Turkish Government. In conformity with my instructions, I have to-day communicated to the proper department in the Foreign Office a copy of the counter-proposals which the Imperial Government desire to put forward in connection with these declarations.

As the negotiations relative to the Bagdad Railway between Germany, England, and Turkey are to form one whole, and as it appears highly desirable that the arrangements incorporated in the different treaties and conventions should exactly correspond, it seems expedient for the present merely to initial the agreements with the Turkish Government in order that it may be easier to insert any necessary alterations in order to bring about complete conformity. For this reason the Imperial Government will, for the present, only initial the agreements to be concluded at Berlin with Djavid Bey.

I have, &c.

KÜHLMANN.

[52625] No. 152.

M. Panas to M. Gennadius.—(Communicated confidentially to Foreign Office, November 19.)

FAISANT suite à ma dépêche en date du 31 octobre, j'ai l'honneur de vous informer que, d'après renseignements complémentaires, député turc Carasso va quitter Rome, se rendant à Sophia par Vienne. Il aurait exprimé sa vive satisfaction pour résultats sa mission en Italie et se rendrait de nouveau fin mois prochain à Rome voir Président du Conseil. D'après propositions Carasso, Turquie céderait en bail à Italie îles Rhodes et Stampalia comme garantie emprunt conclu en Italie et lui demanderait en outre lui fournir quelques (? navires de guerre) nouveaux ainsi qu'un certain nombre officiers et sous-officiers de la marine. Carasso aurait dit que paix Athènes était toute provisoire et que Turquie aussitôt qu'elle se sentirait assez forte sur mer soulèverait question îles se basant du côté de terre sur un accord militaire avec Bulgarie. Carasso à Sophia avec une mission concernant cet accord; il s'arrêterait aussi pour quelques jours à Vienne.

PANAS.

Athènes, le 5 (18) novembre, 1913.

[52609] No. 153.

Sir L. Mallet to Sir Edward Grey.—(Received November 19.)

(No. 580.)

(Telegraphic.) R. *Constantinople, November 19, 1913.*

YOUR telegram No. 530 of 17th November; Shatt-el-Arab Declaration.

I have spoken to my Russian colleague, who telegraphed his views to his Government three days ago.

He was reassured on learning that Turkey was a party to declaration of 21st October, which he thought was between us and Russia, as he said that Russian rights

could not be made dependent on declaration from us. But he maintained that greater precision was necessary. It must be stated in article 7 that foreign consuls, or dragomans, must be present on occasions when foreigners are brought up, and in article 8 there must be provision for consular sanction in arrests (except perhaps in cases of *flagrante delicto*) and for detention by consular authorities.

I pointed out that declaration amply safeguarded these rights, but he was rather insistent, saying that these were only his personal views and he was not authorised to discuss them.

Perhaps some additional declaration might be suggested which would satisfy Russian Government if they do not accept it as it stands.

(Repeated to St. Petersburgh, No. 759.)

[52610] No. 154.

Sir L. Mallet to Sir Edward Grey.—(Received November 19.)

(No. 581.)
(Telegraphic.) *Constantinople, November 19, 1913.*

SIR E. CROWE'S private telegram of 18th November.

Minister of the Interior states that Mr. Lynch, who arrived here some days ago, has written to him at length recording the long services of his company and stating that British Government has thrown him over and making certain proposals, details of which Minister of the Interior could not remember. Minister of the Interior says that he does not intend to take any notice of Mr. Lynch or his communication, also that Mr. Lynch is not likely to learn that convention has not yet been signed. Mr. Lynch has not approached embassy.

[53026] No. 155.

Sir Edward Grey to Sir L. Mallet.

(No. 545.)
(Telegraphic.) R. *Foreign Office, November 19, 1913.*

RIVER concession.

Your Excellency should inform Ottoman Government that we have discussed the desired alterations with Lord Inchcape and his lawyers.

He considers it vital that articles 2 and 14 should not be modified, and, before proceeding to detailed discussion of other points, some of which are acceptable, it is advisable to learn considered attitude of Ottoman Government with regard to these two articles and to German participation in Turkish shares.

Even if Mr. Lynch did not participate in the company, Lord Inchcape could not waive original wording of articles in question.

[52778] No. 156.

Sir L. Mallet to Sir Edward Grey.—(Received November 20.)

(No. 584.)
(Telegraphic.) R. *Constantinople, November 20, 1913.*

I COMMUNICATED to Grand Vizier contents of your telegram No. 541 of 18th November: Tigris and Euphrates navigation.

He had not yet had an answer from Djavid Bey.

52776] No. 157.

Mr. Dering to Sir E. Crowe.—(Received November 20.)

(Telegraphic.) P. *Rome, November 20, 1913.*

FROM the form in which I have received the telegram No. 543 of the 18th instant to Constantinople, I am uncertain whether I am also instructed to act on it. If so, I would submit that the Marquis of San Giuliano is sure to deny flatly that there is any truth in the report that Turkey intends to mortgage to Italy any of the Ægean

[52613] No. 154*.

Mr. O'Beirne to Sir Edward Grey.—(Received November 19.)

(No. 389.)
(Telegraphic.) P. *St. Petersburgh, November 19, 1913.*

I ENQUIRED of the Minister for Foreign Affairs, in accordance with the instructions contained in your telegram No. 752 of the 18th November, whether he had any information on the subject referred to therein. He replied that he had none, apart from a rumour that the Turkish Government was about to obtain a loan from Italy.

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islands, his Excellency always shows irritation whenever anything is said which has an appearance of casting doubt on Italy's good faith in this question. On the other hand, if the report is a fabrication, it might be dangerous to put such an idea in his head. If desired, I could take steps privately to ascertain whether any Turkish deputy is in Rome, or is expected here to open negotiations, but will take no action until I have received your reply.

[52904] No. 158.

Sir L. Mallet to Sir Edward Grey.—(*Received November* 21.)

(No. 587.)
(Telegraphic.) *Constantinople, November* 21, 1913.

VIENNA telegram No. 169 of 16th November and your telegram No. 543 of 18th November.

Grand Vizier has been indisposed, but I hope to see him to-morrow.

In the meantime, I learn a Young Turk deputy has just returned from Rome, where he is said to be engaged in confidential negotiations respecting purchase of ships of war.

Mission is supposed to have failed.

I cannot yet get any information about loan.

Story is denied in "Agence ottomane," but my impression is that some secret negotiations in connection with islands have been going on.

[52898] No. 159.

Mr. Dering to Sir Edward Grey.—(*Received November* 21.)

(No. 205.)
(Telegraphic.) *Rome, November* 21, 1913.

YOUR telegram No. 345 of 18th November.

Official press agency publishes an official notice this morning as follows:—

"Announcement published by a Russian newspaper of a loan to be made by Italy to Turkey on the guarantee of the possession of Rhodes and Stampalia is entirely without foundation."

I think this disposes of the report referred to in Vienna telegram No. 169, Secret, of 17th November.

[52907] No. 160.

Mr. Dering to Sir Edward Grey.—(*Received November* 21.)

(No. 209. Confidential.)
(Telegraphic.) *Rome, November* 21, 1913.

TURKISH Ambassador mentioned to me to-day Italy's desire for expansion in Adalia district. Discussing subject with Secretary-General, he had observed that concession to Smyrna–Aidin Railway Company was perfectly clear, and that, in his opinion, Ottoman Government was bound by it. Secretary-General had intimated that he thought matters could be arranged between Italian and Ottoman Governments alone. Italian Ambassador at Constantinople was arguing that British company had no rights beyond 40-kilom. radius, Turkish Ambassador informed me confidentially.

I replied that rights of British company were perfectly clear, and that we should not allow them to be infringed, and that Italian Government were fully aware of it. They had therefore best come to terms, not with Ottoman Government, who, as his Excellency recognised, were bound by their agreement with British company, but with company itself.

Italy's commercial expansion, apart from interference with vested British interests in Asia Minor, would otherwise meet with no opposition from us. It is clear to me that Italian Ambassador is busy in Constantinople at present.

[53504] No. 161.

Sir Edward Grey to Sir L. Mallet.

(No. 547.)
(Telegraphic.) R. *Foreign Office, November 21, 1913.*

HAKKI PASHA is sending the following telegram to his Government to-night:—

"Je viens d'avoir une longue conférence avec Lord Inchcape et Mr. Parker, du Foreign Office. Nous avons examiné toutes les observations du Gouvernement Impérial. Nous avons trouvé pour la grande partie des points en discussion des solutions satisfaisantes au point de vue de ces observations. Je soumettrai le tout par courrier avec rapport détaillé. Je me borne à dire que la forme que j'aurai à soumettre représentera tout ce qu'on peut faire sans rompre les négociations et qu'elle améliore graudement le contrat précédemment paraffé. Les municipalités de Bagdad et de Zor n'auront aucune perte, leur matériel devant figurer dans la liste annexe. La réclamation au nom d'Aga Jaffer étant contraire à la déclaration du 29 juillet ne peut pas être discutée; seulement, si les bateaux de celui-ci sont en état de faire le service, nous pourrions faire consentir Lord Inchcape à les lui acheter pour la société à une évaluation raisonnable, et cela par un accord séparé en dehors du contrat.

"Les statuts seront autant que possible conformés au type modèle, devant être combinés avec les clauses spéciales du contrat. Quant à la difficulté survenue sur la question de vote par unités, il est impossible de changer ce système, d'autant plus qu'il s'agit ici d'une clause spéciale aux membres anglais; et d'une systématisation de la voix prépondérante du président du conseil, qui sont des matières déjà établies par la déclaration. Mais pour balancer les influences nous nous sommes mis d'accord pour étendre le même système aux délibérations de l'assemblée générale, où le président de la société, qui sera Ottoman, aura la même faculté de faire voter par unités et conséquemment pourra assurer la prépondérance du vote ottoman. Pour le reste de l'article 14, qui concerne le transfert des actions, &c., il est bien entendu qu'il ne sera pas modifié, ce qui est aussi dans notre intérêt."

[53504] No. 162.

Sir Edward Grey to Sir L. Mallet.

(No. 548.)
(Telegraphic.) *Foreign Office, November 21, 1913.*

MY telegram No. 547 of to-day: River Concession.

Following is addition proposed to article 14:—

"Chaque actionnaire aura une voix, à raison de chaque action détenue par lui, à toute assemblée générale des actionnaires, en tant que le président de la société n'aura pas décidé que les actionnaires voteront par unités. Dans le sens du présent article, les actionnaires britanniques constitueront une unité, et les autres actionnaires constitueront l'autre unité. Chaque unité ainsi constituée aura une voix, qui sera donnée conformément au désir de la majorité des membres de cette unité présents à cette assemblée générale; et, dans le cas où ces membres seraient également divisés, le président du conseil d'administration ou, en son absence, le vice-président du conseil d'administration, dans le cas des actionnaires britanniques, et le président de la société dans le cas des autres administrateurs, auront respectivement droit à une voix prépondérante pour déterminer le sens du vote de cette unité.

"En cas d'égalité de voix à toute assemblée générale des actionnaires à laquelle les actionnaires votent par unités, le président de la société aura une voix prépondérante en addition à la voix de son unité."

The German Government have agreed in writing to any arrangements we consider necessary to secure control to Lord Inchcape.

You should urge Ottoman Government to telegraph acceptance on receiving Hákki's report.

Question of customs exemption has not yet been discussed.

[52778] No. 163.

Sir Edward Grey to Sir L. Mallet.

(No. 550.)
(Telegraphic.) R. *Foreign Office, November 21, 1913.*

YOUR telegram No. 581 of 20th November.

It is hardly necessary for Grand Vizier to await reply from Berlin before intimating to us views of Turkish Government. The Germans ask that we shall not oppose German interests in acquiring "not less than" 20 per cent. of the whole share capital to be allotted out of the Turkish shares. So far as we are concerned we would agree to 20 per cent. of the Turkish shares being held by Germans, but we consider that the maximum amount, and should stipulate accordingly.

[52625] No. 164.

Sir Edward Grey to Mr. O'Reilly.

(No. 185. Very Confidential.)
(Telegraphic.) *Foreign Office, November 21, 1913.*

CARASSO EFFENDI, of the Young Turk party, is reported to be going very shortly to Sophia with some secret mission. If, when the time comes, you could, without attracting notice, ascertain any particulars as to his mission, it would be of interest.

[53075] No. 165.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 929.)
Sir, *Constantinople, November 12, 1913.*

I HAVE the honour to transmit to you herewith a translation from an Armenian newspaper of Erzeroum, the "Haratch,"* of a manifesto by Bedr Khan Zadé Abdur Azak, which has apparently been distributed among the Kurds of the Ottoman Empire.

The Kurds do not enjoy, as the manifesto itself states, a high reputation, "even in enlightened European circles," for intellectual or literary progress, and it is to be feared that the present document is hardly calculated to dispel the existing impression as regards their development in this direction.

It is, however, interesting as showing a considerable, even if somewhat perverted, grasp of the trend of recent developments in the Near East and of the modern methods of revolutionary propaganda, which, even if in a somewhat less crudely expressed form, will not be found to lack a parallel in Western Europe.

The author of this manifesto, who is and apparently has been for some time past at Khoi, in Persia, where His Majesty's consul reported in May last that he was "supposed to be organising from there a Kurdish rebellion under Russian guidance," is a member of the Bedr Khan family which included three brothers: Hussein Pasha, Kamil Bey, and Hassan Bey—well-known agitators and opponents of the Committee of Union and Progress. The recent death of Hussein Pasha has, however, deprived the movement of much of its force.

As regards the general situation in the vilayet of Erzeroum there is little of interest to report since my despatch No. 906 of the 29th ultimo, transmitting an account of Mr. Monahan's tour in the Van, Bitlis, and Erzeroum vilayets, although a certain amount of military activity appears to have been displayed by the authorities in the shape of anti-Kurdish punitive expeditions, culminating in one case in the collection of 2,000 liras, 5,000 or 6,000 sheep, and the imprisonment of fourteen Kurdish chiefs, while another expedition had a still more striking success in capturing and slaying the noted brigand Mir Mahé, whose body was publicly exposed in the town of Van as a solemn warning to all similar malefactors.

None of the soldiers employed appear to have received any pay since the 14th

* Not printed.

August last, as, according to a report dated the 25th October last, Mr. Monahan states that none of the civil, military, or gendarmerie employés of the Government had been paid with the exception of the recently dismissed soldiers and reserves.

I have, &c.
LOUIS MALLET.

[52942] No. 166.

Sir L. Mallet to Sir Edward Grey.—(Received November 22.)

(No. 933.)

Sir, *Constantinople, November 12, 1913.*

ALMOST immediately on my arrival in Constantinople, I spoke to the Russian Ambassador on the subject of reforms in the Armenian vilayets, and enquired whether his Excellency and the German Ambassador had opened with the Ottoman Government the discussion of the six points agreed upon between them and communicated to His Majesty's Government on the 26th of September last. His Excellency told me that he had been in confidential communication with the Grand Vizier for some time, and had received the general support of Baron Wangenheim, who was, I understood, not taking part in the discussion of details.

M. de Giers found the Grand Vizier entirely in favour of reforms, but in an unyielding frame of mind in regard to the intervention of the Powers, and he had not, up to the moment of our conversation, been able to make any progress. The only satisfactory feature was that conversations supplemented by written communication had begun and were proceeding. He had just received a note from the Grand Vizier, but it was of a very vague description, and in fact amounted to a *fin de non-recevoir*. The Grand Vizier expressed the best intentions, and announced the determination of the Porte to introduce reforms, and their wish to employ some foreign officials to assist in carrying them out.

M. de Giers said that he intended to see the Grand Vizier again immediately and press for more detailed assurances.

His Excellency said that the Porte would most strenuously resist the employment of European inspectors-general nominated by the Powers, and would probably propose foreign advisers to the inspectors-general, who would themselves be Ottoman subjects. M. de Giers expressed to me his private opinion that, if it were really found impossible to induce the Porte to appoint foreign inspectors-general, the Powers might, on certain conditions, accept a compromise on the above lines.

He took his stand, however, for the present, on the six points, and he did not intend to give the Porte any hint at this stage that the Powers might modify their demands. Baron Wangenheim, with whom I had discussed the question of reforms on the occasion of my first official visit, expressed to me his private opinion that the Powers might be contented with advisers.

Not knowing what your views might be on this point, and not having had at that time any opportunity of ascertaining for myself the views of the Grand Vizier, I did not express any opinion, but confined myself to assuring him of your deep interest in the question, and of your strong conviction that the establishment of order and good government in the six vilayets was equally desirable in Turkish and Armenian interests.

As M. de Giers had promised to keep me *au courant* of what passed, I asked him on the 7th instant what progress had been made. His Excellency said that he had pursued his discussion, and had that day received a further communication from the Grand Vizier, which went a little further than the first, but was still too lacking in precision to prove in any degree acceptable. A copy of the Grand Vizier's communication which M. de Giers communicated to me to-day is enclosed. I do not propose to criticise it in detail, and will confine myself to pointing out that there is no mention of European Inspection-General, and that the Porte confine themselves to mentioning the employment of foreign advisers, as to the method of whose selection nothing is said. It may, however, be presumed that the Powers will be asked to recommend them. The powers conferred upon these advisers are of a shadowy character, and there is no provision for the enforcement of their dues in case of a difference of opinion with the inspector-general. There is, moreover, no mention of control by the Ambassadors at Constantinople, or of the nature of the reforms which will be within the competence of the inspector-general. These and other points will

be dealt with by my Russian colleague in his further communication with the Porte, and I will not fail to keep you informed of the result.

I have, &c.
LOUIS MALLET.

Enclosure in No. 166.

Note communicated to M. de Giers by Grand Vizier.

Des conseillers étrangers qui seront adjoints aux inspecteurs généraux.

Article Ier. A chaque inspecteur général il sera adjoint pour un délai de dix ans un conseiller étranger ayant des connaissances spéciales.

Art. 2. Le conseiller a pour attributions de seconder l'inspecteur général par des inspections et réformes générales de la compétence de l'inspecteur général. Il est l'autorité immédiate des inspecteurs en chef des sections administratives de la circonscription inspectorale et préside la commission d'inspection et de réformes composée par ces inspecteurs.

Art. 3. Le conseiller examine les rapports d'inspection dressés par les inspecteurs et le transmet à l'inspecteur général, soit directement, soit après en avoir fait discuter par la commission d'inspection les parties qu'il jugera nécessaires de référer. Le conseiller ajoutera son avis personnel sur les questions faisant l'objet de ces rapports.

Art. 4. L'inspecteur général mettra en application les décisions de ladite commission ou les rapports d'inspection qui lui sont directement transmis par le conseiller, en tant que leur objet serait de sa compétence. Il s'en référera aux départements intéressés pour les questions nécessitant des instructions.

Art. 5. En cas de divergence de vue entre l'inspecteur général et le conseiller sur les questions se rapportant aux inspections et aux rapports, la question en litige sera soumise au Grand Vizirat accompagnée d'un exposé des motifs. C'est le Conseil des Ministres qui examine et décide la solution à y apporter.

[52493] No. 167.

Sir L. Mallet to Sir Edward Grey.—(Received November 22.)

(No. 934.)

Sir, *Constantinople, November 13, 1913.*

I HAVE the honour to state that on receiving on the 9th instant the instructions contained in your telegram No. 524, I applied for an interview with the Grand Vizier, but, owing to the Bairam holidays, I was unable to see him before the 11th instant. On that afternoon I went to Yeni Keui, where the Grand Vizier's summer residence is situated, and read to his Highness a paraphrase of your telegram, informing him at the same time that you took the deepest interest in the question of reforms and regarded their adoption as of vital interest to the Ottoman Empire. His Highness listened attentively to the words of your message and to my observations, and assured me at once that he was as convinced as yourself of the necessity of reforms, and determined to carry them through. The Porte would, however, never accept European inspectors-general with the extensive powers which it was proposed to confer upon them. The proposals communicated by the Russian Embassy would create a sort of *imperium in imperio* in the Turkish Empire, and, if adopted, would seriously infringe the Sultan's sovereign rights. The Porte were entirely convinced of the disinterestedness of His Majesty's Government, but there were other Powers of whom they could not but entertain suspicion.

I said that if his Highness referred to Russia, I was convinced that Turkish distrust was entirely unfounded and that the best proof of this lay in the proposals which had been put forward by the Russian Ambassador for European control, which would be the best guarantee that could be devised against the exclusive intervention of any one Power.

His Highness replied that he did not see the matter in that light, and, if the Turkish Government accepted the proposals in their present form, they would not only be parting with their sovereign rights but, if intervention ever took place, would not receive any *quid pro quo* in the nature of assistance from the other Powers.

He went on to tell me that he had been engaged in confidential discussion with the Russian Ambassador for some time past and that he thought that a satisfactory solution was in sight.

Instead of inspectors-general, he had proposed foreign advisers, who would be in a far better position to carry through such reforms as were required than foreign inspectors-general. Take the case of Sir R. Crawford, who had rendered such eminent services to the Ottoman Empire. Sir Richard had often told him that he could not have accomplished his task had his position been a more prominent one, and this argument applied with double force to the case under present discussion. If this proposal were accepted, all that the Powers wanted would be attained and the susceptibilities of the Porte would be spared. I was at that time unaware of the actual terms of the Grand Vizier's reply to the Russian communication, but, in any case, I should have refrained from discussing it in detail. I replied in general terms that unless there was European control in some form or other, neither the Powers nor the Armenians would be satisfied that the reforms would be lasting. The good Government of the six vilayets was a most pressing question, and one which vitally concerned the maintaining intact of the Sultan's dominions—a principal which the Prime Minister had just said, in his Guildhall speech, was of cardinal interest to great Britain. His Highness had not seen the telegraphic report of the Prime Minister's speech as it had only arrived a few minutes before I left the embassy, and he expressed great satisfaction on learning its tenour. I went on to say that his Highness might rest assured that the Prime Minister had only expressed the general feeling, but that everyone was united equally in thinking that the surest means of maintaining that principle would be by the adoption of some form of control by the Ambassadors over the execution of the reforms. The Porte had so often in the past expressed the intention of introducing reforms, but nothing had been done, and the failure of the new régime in this respect had filled people in England with distrust of the future. His Highness interrupted me and exclaimed that it was very unfair to blame the new régime as they had only been in power a very few years, during which the country had been rent with internal dissensions and had had to wage a long war. The situation was now greatly improved, difficulties were being surmounted, and considerable progress had already been made. The Ottoman Government were determined to proceed on that path, and hoped for the sympathy and support of Great Britain.

I did not pursue the subject further, and I am strongly of opinion that it would be better for the present to leave the negotiations in the hands of the Russian Ambassador, who is hopeful of a successful issue. The situation is difficult. The Government are in the frame of mind to render certain the rejection of any collective demand on the part of the Powers. They are at present determined to carry through the reforms with as little assistance from the Powers as possible.

Talaat Bey has expressed the intention of visiting the vilayets himself, and I hear on all sides that the Government is convinced of the necessity of taking serious measures to remedy the present condition of affairs. Talaat Bey's visit to the vilayets will doubtless be followed by good results, and it is probable that an effort will be made towards good Government, but it is a matter for grave doubt whether reforms would be lasting. It is therefore of the greatest importance not to take any steps now which might irritate the Porte and drive them into taking up a position from which it would be difficult to retreat.

I have, &c.
LOUIS MALLET.

[53053] No. 168.

Sir L. Mallet to Sir Edward Grey.—(Received November 22.)

(No. 588.)
(Telegraphic.) R. *Constantinople, November 22, 1913.*

YOUR telegram No. 550 of 21st November.

Grand Vizier was strongly opposed to admitting German participation when I spoke to him on Wednesday, but I did not think it worth while to report this pending receipt of Djavid's reply, which I hope will make him say something definite as to Turkish attitude.

[53057] No. 169.

Sir L. Mallet to Sir Edward Grey.—(Received November 22.)

(No. 589.)
(Telegraphic.) R. *Constantinople, November 22, 1913.*

MY telegram No. 587 of 21st November.

Grand Vizier stated, in reply to my enquiry, that there was absolutely no foundation for the report of a loan by Italy secured on an island in her occupation.

[53044] No. 170.

Mr. Dering to Sir Edward Grey.—(Received November 22.)

(No. 208. Very Confidential.)
(Telegraphic.) *Rome, November 22, 1913.*

MY telegram No. 205 of 21st November: Ægean islands.

Turkish Ambassador, referring yesterday to the contradiction published here of rumour as to loan on guarantee of islands, told me there was not a word of truth in the report, and that Turkey was most anxious to regain possession of the islands as soon as possible.

I asked him when the last Turkish troops would be withdrawn from Cyrenaica in order to bring this about. He replied that there were only forty soldiers there now left by Faik Bey in the hands of Senoussi. He told me confidentially that he had been instructed to ask the Italian Government to send an expedition to rescue them, but had replied to his Government that it was no use suggesting it, as it would mean a loss of men to the Italians and probably the Turkish soldiers would be exterminated by the Senoussi before they could be reached.

Minister for Foreign Affairs here had given him assurances over and over again of Italy's intention to return the islands to Turkey; only a few days ago the Italian Ambassador at Constantinople had repeated the same assurances to the Grand Vizier, and the Turkish Chargé d'Affaires at Vienna had also reported that he had likewise been assured by his Italian colleague. To himself the Italian Prime Minister had said that Italy would restore the islands to Turkey if the Great Powers made no objection. This reservation seemed to him a little significant, but could be accounted for by the fear entertained by the Italian Government which, he could tell me in strict confidence, had been expressed to him (Minister for Foreign Affairs) that France, England, and Russia meant to give the islands in Italian occupation to Greece. Minister for Foreign Affairs did not distrust British loyalty, and had often spoken in the highest terms of your policy, but he did distrust the French Government on this point. The Ambassador added that the Ottoman Government would never allow these islands to be handed over to Greece.

I replied that the Prime Minister's reservation appeared to me clearly to refer to the fact that the question of the islands was expressly reserved by the Conference of London for settlement by the Great Powers, and that I considered personally that the apprehensions of the Minister for Foreign Affairs were wholly unfounded. No doubt the Greek Government would desire to acquire the islands, but that the desire need not lead to fulfilment. Referring again to the loan, the Ambassador said that Italy desired to join in the loan to Turkey now in contemplation to extent of a fixed sum. I forget the amount he stated, but will ask him again when I call to-day, which will be at his request. But he added that Italy really has no money to lend, for she needs all she has at home, and he did not believe she would be able to participate to the amount for which she had asked as her share.

I asked again at once if this part of the loan was on the security of the islands held by Italy, and the Ambassador replied certainly not.

[53061] No. 171.

Mr. Dering to Sir Edward Grey.—(Received November 22.)

(No. 210.)
(Telegraphic.) *Rome, November 22, 1913.*

CONSTANTINOPLE No. 587 of 21st November.

Turkish Ambassador repeated to me to-day that only mention of loan here has been when Italian Minister for Foreign Affairs informed him that Italy desired to

participate to extent of 1,000,000 fr. in large loan to be floated in Paris in favour of Turkey after issue of France's own loan. Ambassador thinks that it will not amount to 7,000,000 fr. which was suggested by France, but, thanks to self-denial of Turkish officials, who had accepted half-salaries, finances in Turkey were not in a bad condition. He had replied that his Government did not mind who participated in the loan, and that Italian Government could arrange that at Paris with the French Government. Italian Prime Minister has already conferred with Minister of Finance and president of the Bank of Italy with this object.

He again denied that islands in the occupation of Italy were a guarantee for any loan.

[52907] No. 172.

Sir Edward Grey to Sir L. Mallet.

(No. 551.)
(Telegraphic.) *Foreign Office, November 22, 1913.*

ITALIAN scheme for Adalia railway.

We have failed so far to get precise information as to terms of Italian concession. Italian Ambassador here professes great optimism as to prospects of a satisfactory understanding with His Majesty's Government concerning British company's rights, but when he is pressed for exact information or definite proposals he becomes nebulous, whilst constantly reiterating that the Italian concession in no way conflicts with the Smyrna line.

It has been pointed out to him that any Italian line from Adalia must enter the regions served either by the Smyrna or the Anatolian systems. In either case the British railway would be fatally injured, and His Majesty's Government cannot allow this. The same objection would militate against a substitution of motor services for railway over the same ground, which appears to have been contemplated by the Italians as a possible solution of the difficulty.

So far as we can gather, Italy is likely to contend that, so long as Italian lines do not actually form a junction with Smyrna or Anatolian systems, there will be no infraction of the letter of British company's right under article 2 of Convention of 1906. His Majesty's Government are not prepared to admit validity of such a technical subterfuge. At the lowest, an Italian claim based on such a technicality would be a most unfriendly proceeding. Nor can it be admitted that the British company's preferential option for a line debouching at Adalia would be compatible with an Italian concession for control of that port.

According to report from His Majesty's Chargé d'Affaires at Rome, it seems probable that Italian Embassy at Constantinople is engaged in negotiating some settlement with the Porte without allowing British interests to be heard. Should this be the case, it might be well if your Excellency could find an opportunity to point out to the Ottoman Government that an awkward situation would arise if they were to commit themselves definitely to schemes which His Majesty's Government would be constrained vigorously to oppose as inconsistent with British rights. We have no political aims in the district in question, and therefore no desire to exclude other parties; our sole object is to safeguard the property of a British company, and if Italians desire concessions which conflict with Smyrna-Aidin Railway concessions they ought at least to come to terms with the company which will protect its shareholders.

(Repeated to Rome, No. 353.)

[52549] No. 173.

Sir Edward Grey to Herr von Kühlmann.

(Confidential.)
Sir, *Foreign Office, November 22, 1913.*

I HAVE the honour to acknowledge the receipt of your note of the 14th instant, in which you state that, as the negotiations between Germany, Great Britain, and Turkey relative to the Bagdad Railway are to form one whole, and as it appears highly desirable that the arrangements incorporated in the different treaties and conventions should exactly correspond, it seems expedient for the present merely to initial the agreements with the Turkish Government, in order that it may be easier to insert any necessary alterations in order to bring about complete conformity. You add that, for

[53051] No. 171*.

Mr. T. Russell to Sir Edward Grey.—(Received November 22.)

(No. 180. Secret.)
(Telegraphic.) P. *Vienna, November 22, 1913.*

THE deputy referred to in my telegram No. 169 of the 16th instant is named Carasso and Stampalia and Rhodes are the islands in question.

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this reason, the German Government will for the present only initial the agreements to be concluded with Djavid Bey at Berlin.

In conveying to you the thanks of His Majesty's Government for this communication, I have to inform you that the agreement between His Majesty's Government and the Ottoman Government relating to railways in Asiatic Turkey will not be signed yet; but the agreements relating to the Euphrates and Tigris navigation concession and to the Shatt-el-Arab Conservancy Commission were, as I have already informed his Highness the German Ambassador privately, signed some months ago.

In accordance, however, with the semi-official statement which his Highness made some time ago, that the German Government would regard it as very conciliatory if His Majesty's Government did not publish their agreements with Turkey pending the conclusion of the Anglo-German agreement, His Majesty's Government will defer such publication for some weeks, though they desire to lay papers before Parliament reassembles, and they therefore trust that all the agreements may be concluded before the 31st December, 1913.

I have to state further that His Majesty's Government are in full agreement with the German Government as to the importance of complete concordance, and they are also of opinion that any agreements now under discussion with Djavid Bey or Hakki Pasha in which the three Powers—Germany, Turkey, and Great Britain—are interested, should be merely initialled pending direct discussion between Germany and Great Britain.

In conclusion, I have to add that I hope to furnish you at an early date with the observations of His Majesty's Government on the German counter-draft, which you were good enough to communicate to this Department, of the proposed agreement between the Ottoman Government and the Bagdad Railway Company.

I have, &c.
E. GREY.

[53079] No. 174.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 935.)

Sir, *Constantinople, November 19, 1913.*

I HAVE the honour to submit for your consideration some observations on the draft articles No. 1 and 2 of the "Ottoman side" of the memorandum presented by his Highness Hakki Pasha, which were called for in your despatch No. 355 of the 25th ultimo.

Reduction of Light Dues.—In view of the arrangements concluded last April between the Turkish Government and the Lighthouse Administration, by which, in return for an advance of 500,000*l.* made by the administration, the Sublime Porte consented to the renewal of the lighthouse concession for another period of twenty-five years after the 4th September, 1924, it was felt that the raising of the money on the security of profits to be made after the year 1924 could hardly fail to limit the freedom of the Porte in the negotiations for the revision of the dues contemplated by paragraph 2 of the memorandum of 1896. The value of such security is dependent on the Turkish Government's continuing to make profit out of the concession after 1924, whereas His Majesty's Government has steadfastly maintained that the next revision should reduce the dues to a rate which would yield only a revenue ample in amount to meet the cost of the general service besides leaving a reasonable return for capital expenditure.

His Majesty's Government accordingly, in their last communication addressed to his Highness on the subject, on the 19th July last, requested an assurance from the Ottoman Government that the commission which it had been agreed upon to form for the purpose of revising the dues should not be affected or influenced in its work by any considerations arising out of the fact of the renewal of the concession, and further that the tariff of dues should be fixed on a footing of fair return for capital outlay and maintenance.

The draft article No. 1 submitted by Hakki Pasha, which has reference to the revision of dues, contains no such assurance, but merely states that the commission is to consider the reduction of the dues, which are to be "étudiées sur une base équitable," &c. The amount of the reductions to be made would therefore greatly depend on the interpretation given to this phrase, and also as to what would be considered by the Commission as a "base équitable." The last paragraph of the article moreover contains a statement which does not correspond with the arrangement made between His

Majesty's Government and the Porte at the time of the last renewal of the concession in 1899. According to this arrangement, revision was to take place five years before the expiry of the present term of concession, and therefore the work of revision would take place, under ordinary circumstances, in 1919, whilst the tariff so reduced would not enter into operation before the 4th September, 1924, the date on which the present concession expires.

The draft article as it stands, seems to lack precision on all of these points, and something on the following lines might possibly be substituted :—

"Le Gouvernement Impérial ottoman consent à la formation dès à présent d'une commission mixte anglo-ottomane ou d'une commission internationale à l'effet d'étudier les réductions qu'il serait nécessaire d'y apporter dans les droits de phare perçus de la navigation en Turquie. Comme il est entendu qu'après l'expiration de la concession actuelle, les droits de phare ne seront plus considérés par le Gouvernement Impérial ottoman comme une source de revenu général, la tâche de cette commission sera d'établir un tarif tel, que le produit des droits ne dépassera pas le montant nécessaire pour le maintien du service de phares y compris une rémunération équitable pour les capitaux engagés dans l'entreprise même, et qui n'auraient pas été amortis avant 1921."

With regard to the draft article No. 2, which reserves the rights of Messrs. Jackson and Pearson in the matter of future tenders for certain irrigation works in Mesopotamia, it is to be remarked that the conditions which the Ottoman Government wish to impose on these firms, admit of such wide interpretation that by the article, the Government practically take away with the one hand what they are seemingly disposed to give with the other.

The first condition imposed for carrying out the series of works defined in the "arrêté ministériel" of February, 1912, and to which the article refers, is, that the contracting firms must submit estimates acceptable to the Government. As in the case of the tenders submitted last year, the Turkish Government again expect the contracting firms to assume the responsibility for the works for a period of ten years after construction, and to make arrangements on terms to be approved of by the Government for financing the scheme. It is obvious that in drawing up their estimates, contractors have not only to calculate the actual cost of the work they undertake, but in cases where conditions relative to questions of guarantees and financing are imposed, the figures of cost are naturally increased by the provision which has to be made to cover the risks to which contractors are exposed, because of the conditions demanded. Under these circumstances it is difficult to understand what the Turkish Government would be prepared to confine as "prix acceptables."

As to the conditions themselves, Messrs. Jackson and Pearson, when tendering last year, were disposed to guarantee the use of good material and solid construction, and went so far as to accept responsibility for ten years, for making good any defects arising out of "vice de travaux and vice du sol," but were unwilling to go any further. Likewise, both firms undertook all the financial arrangements in order to bring the work to a successful issue without unduly burdening the Turkish Treasury; they consented to accept Treasury bonds at a price far above the market quotations of the day for Turkish stock, but not being able to agree to the somewhat unreasonable stipulations put forward by the Turkish Government, relative to the payment of the interest on these bonds, all their negotiations fell through.

It is therefore not unlikely that Messrs. Jackson and Pearson would meet with similar difficulties in any future negotiations for irrigation contracts which may be put up to adjudication. Should the Government, however, be in earnest, and desire to meet the wishes of His Majesty's Government in the matter of future contracts, the insertion in the article of an arbitration clause covering the three questions of estimates, guarantees, and financial conditions, would, it is presumed, be considered sufficiently satisfactory.

I have, &c.
LOUIS MALLET.

[53081] No. 175.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 937. Confidential.)

Sir, *Constantinople, November 15, 1913.*

I HAVE the honour to report that I had some conversation this evening with M. Také Jonesco, who is paying a short visit to this capital on his return to Bucharest.

After congratulating him on the success which had attached to his efforts in the cause of peace, I enquired whether, in his opinion, it was likely to be durable, and whether he had any conversation with M. Venizelos on the subject of the islands.

M. Také Jonesco was disposed, perhaps not unnaturally, to take a hopeful view of the question. He said that he had not touched officially upon the question of the islands because it was too big a question for Roumania to settle, but he had discussed the question privately with M. Venizelos and other leading men, and he was under the impression that the Greek Government would accept a solution which was unanimously recommended by the Powers, if the decision was not delayed.

The Greek people were in a very good temper at the present moment on account of the demobilisation orders, and would be more likely to accept a compromise now than later on, when life had returned to its normal course and the results of the war began to make themselves felt. The same arguments applied to the South Albanian frontier.

I then asked M. Také Jonesco to tell me, quite privately, what his own opinion was as to the sort of settlement which might be arrived at, and he replied that the Greek Government would probably accept the cession to Turkey of Tenedos and Imbros. I said that this would, so far as I had been able to gather, by no means satisfy the Turkish Government. The Grand Vizier had volunteered to me in the most uncompromising language that the Ottoman Government would never, under any circumstances, consent to the permanent cession of Mitylene and Chios; the possession of those islands was a matter of life and death to the Turkish Empire, and if necessary they would achieve their reconquest by force. M. Také Jonesco replied that the Greek Government might perhaps consent to compromise and leave one of those islands to Turkey under certain guarantees, that he was aware of the strength of feeling in this country in regard to the islands, but he still thought that an arrangement might be come to without a resort to force—possibly the Greek Government might consent to leave either Mitylene or Chios to Turkey, under certain guarantees. We were interrupted at this moment, and I did not pursue the conversation.

I have, &c.
LOUIS MALLET.

[53088] No. 176.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 939.)

Sir, *Constantinople, November 18, 1913.*

WITH reference to my despatch No. 933 of the 12th instant, I have the honour to inform you that the Russian Ambassador told me this afternoon that his negotiations with the Grand Vizier on the subject of Armenian reforms had made some further progress.

His Excellency had made an addition to articles 1 and 5 of the draft enclosed in my despatch No. 933, which it will be seen from the amended version transmitted herewith are of considerable importance.

By clause 1 the Sublime Porte undertake to ask the Great Powers to recommend the advisers to be attached to the inspector-general, whilst the reference to the Council of Ministers of questions relating to inspection and reports is eliminated from article 5 and an addition inserted to the effect that the inspector-general will take no administrative decision without previous agreement with the advisers, and that, in case of divergency of view, that of the adviser shall prevail if agreement be not reached within one month.

M. de Giers told me that he had most carefully refrained from accepting these proposals, and still maintains with the Grand Vizier his insistence on the six points. He is, however, of the opinion that it is important to conclude the negotiations as soon as possible, as the Ottoman Government will be even more difficult to deal with after

they have obtained a loan than they are at present. He is therefore inclined to accept such modifications of the six points as do not materially affect their usefulness. I entirely share this view, and am of opinion that, even if the Powers were unanimous on insisting, if necessary by force, on the acceptance of a cut-and-dried scheme of reforms—it is a most improbable supposition—the Turkish Government would so impede their execution as to render them abortive. It would be better, I am convinced, in the present disposition of the Turkish Ministers and of the Powers, to take as much as we can get without resorting to threats and to retain the goodwill and co-operation of the Ottoman authorities. M. de Giers is to see the Grand Vizier to-morrow, when he proposes to broach with his Highness the question of control.

I have, &c.
LOUIS MALLET.

Enclosure in No. 176.

Further Note communicated to M. de Giers by Grand Vizier.

Des conseillers étrangers qui seront adjoints aux inspecteurs généraux.

Article 1er.—A chaque inspecteur général il sera adjoint pour un délai de dix ans un conseiller étranger ayant des connaissances spéciales.

La Sublime Porte s'adressera aux Grandes Puissances pour leur demander de lui recommander ce conseiller.

Article 5.—En cas de divergences de vue entre l'inspecteur général et le conseiller sur des questions se rapportant aux inspections et aux rapports, la question en litige sera soumise au Grand Vizirat, qui lui donnera la suite qu'elle comporte. L'inspecteur général ne prendra pas de disposition administrative sans accord préalable avec le conseiller. En cas de divergence entre l'inspecteur général et le conseiller, si dans un délai d'un mois le différend n'est pas tranché, c'est l'avis du conseiller qui prévaudra.

[53330] No. 177.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 591.)
(Telegraphic.) R. *Constantinople, November 24, 1913.*

YOUR telegram No. 551 of 22nd November: Italians at Adalia.

I asked Grand Vizier to-day whether negotiations of any kind with Italian Chargé d'Affaires were on foot. He emphatically denied their existence.

I said I was glad to hear this, as it would be a serious matter if the Ottoman Government committed themselves to any scheme which would in any way affect British interests without consulting us. I asked his Highness to let me know if the Italian Embassy made any proposals, and he promised to do so.

I will endeavour to get this confirmed by enquiry at Ministry of Public Works.

[53331] No. 178.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 592.)
(Telegraphic.) R. *Constantinople, November 24, 1913.*

MY telegram No. 588 of 22nd November.

Grand Vizier tells me that he has had a telegram from Djavid Bey merely stating that Germans have broached question of participation in Turkish share, but have not specified amount.

In accordance with your instructions, I said I hoped Ottoman Government would not object, but that participation should not exceed 20 per cent. of the whole.

Grand Vizier [group omitted: ? said] that he much disliked giving Germans any share, but that if it was necessary he would do so, but would give as little as he possibly could.

On leaving his Highness I happened to meet Talaat, to whom I repeated what I had said to the Grand Vizier.

Minister of Interior asked me pointedly whether you really wanted him to give a share to Germans, and I replied that you saw no objection provided that it did not exceed 20 per cent. of the whole.

Both Grand Vizier and Minister of Interior seem a little suspicious of our interest in the matter in spite of explanations which I made on receiving your telegram No. 541 of 18th November, and now that I have made your views clear it would seem better to let Germans negotiate for themselves.

[53332] No. 179.

Sir L. Mallet to Sir Edward Grey.—(Received November 24.)

(No. 593.)
(Telegraphic.) R. *Constantinople, November 24, 1913.*

YOUR telegrams Nos. 547 of 21st November and 548 of 21st November.

I have informed Grand Vizier of the favourable result of discussions in London and of your concession in regard to article 14.

I have urged his Highness to give immediate attention to Hakki Pasha's report, and to telegraph his acceptance on receipt.

[52471] No. 180.

Sir Edward Grey to Mr. O'Beirne.

(No. 760.)
(Telegraphic.) R. *Foreign Office, November 24, 1913.*

YOUR telegram No. 287 of 18th November.

You should inform Minister for Foreign Affairs that I do not consider it would be advisable to renew *réunions* of Ambassadors. They are very useful in time of real crisis and emergency, but are not suitable for dealing with details. Moreover, they tend to multiply questions for discussion, owing to great facility they provide for raising any question, and, while their usefulness diminishes, the time taken up by them increases.

Of course, if some large difficulty arises which makes all the Powers wish to have the *réunions* again, I will readily consent, but I am not disposed to suggest their renewal until the occasion actually presents itself.

[52621] No. 181.

Mr. Parker to Herr von Kühlmann.

(Private.)
My dear Kühlmann, *Foreign Office, November 24, 1913.*

YOU will remember that our official note of the 18th September contained a paragraph about the desiderata of the Smyrna–Aidin Railway, and that we gave reasons which we felt sure would enable us to count upon the co-operation of the German Government in bringing about a favourable settlement. For the sake of convenience I enclose a copy of the paragraph.

Your note of the 3rd November to Sir E. Grey contained no reference to this subject, but you explained privately to me that Herr von Gwinner was discussing the subject with Djavid Bey at Berlin, and that though nothing definite could be said for the moment, the German Government hoped that negotiations were tending towards a favourable conclusion.

This news was particularly gratifying, for the Smyrna–Aidin line being the sole remaining line under British management in Turkey, we are particularly desirous that it should not be barred from development in its own region of natural though limited expansion, and we felt sure that the arguments advanced in our official note of the 18th September would appeal to the German Government. We have, notwithstanding the large proportion of British trade in relation to that of other countries in Asiatic Turkey, taken a back seat in regard to the large schemes of railway development recently under discussion, and we have done our best to promote a settlement satisfactory to others.

Such being the case, we do consider that our requests with regard to the Smyrna–Aidin Railway Company are very moderate; and it is because a hitch has apparently

occurred at Berlin with regard to the desiderata of that Company that I am writing this private letter to you. I am most anxious that the difficulty should be overcome as I know what an unfavourable impression a breakdown of this Smyrna–Aidin negotiation would create here.

Hakki Pasha tells me privately that he learns from Djavid Bey that the German Company is only willing to agree to a junction of the Smyrna–Aidin and Anatolian systems on terms which would impose a very heavy and even prohibitive financial sacrifice upon the Ottoman Government and that as regards the other desiderata of the Smyrna–Aidin Company the attitude of the German Company, except in minor details, is one of *non-possumus*. This attitude, before which the Ottoman Government may very well be helpless, would if persisted in not only paralyse the extension of the Smyrna–Aidin lines in their legitimate sphere, but it would debar the company from navigating on certain lakes even though this could be done without any substantial prejudice to German irrigation projects, and it would condemn large tracts of country to remain without the benefits of railway communication.

What we do feel especially is that at the very moment when we are asked by the German Government to enter into a formal engagement in no way to oppose the successful execution of a great trunk railway system by German interests, the modest, legitimate, and indeed necessary natural development of our one little remaining railway in Turkey should be blocked by those very German interests, and by those interests alone. If you could place yourself for a moment in our position, I think you would see the inequity of this.

I feel sure that the representation, as here explained, of how we regard the whole question has only to be made in the right quarter in Berlin for a speedy settlement to be reached, and I am also convinced that you will understand how much importance we attach to the inclusion of this matter amongst those others in regard to which we are reaching a complete understanding.

ALWYN PARKER.

Enclosure in No. 181.

Extract from Memorandum dated September 18, 1913.

HIS Majesty's Government trust, however, that the concession offered under clause (e), in the interests of the Bagdad Railway Company, will induce that company, and the affiliated Anatolian Railway Company, to adopt a conciliatory and favourable attitude towards certain desiderata of the Smyrna–Aidin Railway Company. These desiderata, which have been placed before the Ottoman Government, include an option for an eventual junction of that company's line with the Anatolian Company's system, on conditions to be mutually agreed between the two companies. Inasmuch as the Anatolian Railway Company is already connected with Smyrna by the Smyrna–Cassaba Company's line, it would seem that there can be no objection of principle to such a junction as that proposed with the Smyrna–Aidin Company's system, and to the establishment of facilities for through traffic. His Majesty's Government feel that they can, with the more assurance, claim the co-operation of the German Government in bringing about such a settlement, as the Smyrna–Aidin line is the only remaining railway under British management in Turkey. They are further persuaded that, in considering this very moderate request, the German Government will not overlook the fact that, in the recent adjustment of certain railway claims in Turkey, His Majesty's Government have not only refrained for the present from claiming fresh railway concessions in favour of British subjects, but have even furthered, to the best of their ability, the adjustment in question.

[53377] No. 182.

Sir L. Mallet to Sir Edward Grey.—(Received November 25.)

(No. 943.)

Sir, *Constantinople, November 19, 1913.*

I HAVE the honour to forward herewith a despatch from the British acting consul-general at Smyrna, reporting on Italian survey of narrow gauge light railway in Adalia.

I have, &c.

LOUIS MALLET.

Enclosure in No. 182.

Acting Consul-General Heathcote-Smith to Sir L. Mallet.

(No. 100.)

Sir, *Smyrna, November 4, 1913.*

WITH reference to my previous despatch No. 99 of the 1st instant, communicating Mr. Vice-Consul Keun's information as to the surveys of railways made by Italians in the Adalia district, I have the honour to report to your Excellency that a letter received yesterday from Mr. Vice-Consul Keun considerably modifies the account he forwarded me by wire.

The newly arrived information is to the effect that Mr. Coulan arrived at Adalia by sea and not overland, though some Italian engineers have recently been in the neighbourhood of Bourdour and Sparta, and has proceeded to carry out a survey of a narrow gauge light railway which would start from Adalia and run northwards through the Tchibouk pass up to Kizil-Kasa; thence the line would branch off in three sections.

The first would run westwards to Tefenni viâ Anbaham, Urghudlu, Azizie, Kemer, and Karamanli.

The second would pass in a south-westerly direction viâ Ieilok and Tchikourdja to Istanos, to eventually reach Elmali; while the third would continue for a few miles due north to Boudjak and Teheltidjikeni, a village some twenty-five kilometres south-east of Bourdour.

I have, &c.

C. E. HEATHCOTE-SMITH.

[53331] No. 183.

Sir Edward Grey to Sir L. Mallet.

(No. 554.)

(Telegraphic.) R. *Foreign Office, November 25, 1913.*

RIVER concession.

Your telegram No. 592 of 24th November.

Please refer to "Asiatic Turkey" print, May 7, section 1, and September 18, section 1.

Hakki Pasha was informed of paragraph 3 of first paper, and he was also informed, several days before the Turkish declaration was signed by him on 29th July, that the Germans had modified their view as to participation, and was consulted as to our reply. His Highness expressed the view that it was natural that the railway company should desire some participation in the river navigation, whereupon it was carefully explained to him that such participation could not come out of the British shares. He said he appreciated this, and himself suggested that we should, in our agreement with Germany, propose that "His Majesty's Government would not oppose" Germany acquiring one-third of the Turkish shares.

I fully agree with your Excellency that the Germans should negotiate direct with Turkey on the subject, but they have communicated to me a counter-draft to the one I proposed on 18th September, and a reply has to be sent.

I had no wish originally to admit Germans, but I am doubtful if they would have acquiesced in creation of a monopoly without participating in it. I consider it impracticable to exclude them at this late stage, but until the Ottoman Government make up their minds as to what they will agree to, all negotiations must remain in suspense; this causes serious inconvenience, as the Anglo-Turkish agreements cannot be ratified until the Turco-German negotiations are concluded, and I do not wish to postpone date of ratifications again. December 31 is the latest possible date without further postponement.

[53044] No. 184.

Sir Edward Grey to Mr. Dering.

(No. 356.)

(Telegraphic.) *Foreign Office, November 25, 1913.*

YOUR telegram No. 208 of 22nd November: Ægean Islands.

The ultimate destination of the islands in Italian occupation will have to be considered by the Powers, and you should not therefore have expressed any opinion as

to what views His Majesty's Government are likely to take. In regard to the report of a loan to be raised in Italy, with one or two islands as security, you should now let that matter drop.

[53772] No. 185.

Sir Edward Grey to Sir F. Elliot.

(No. 146.)

Foreign Office, November 25, 1913.

Sir,

THE Greek Minister asked me to-day about the question of the Ægean islands.

I said that it had not been raised amongst the Great Powers for the last few months. I observed that Greece was in occupation of the islands, and I asked him why he mentioned the matter.

He said that he did so only incidentally, but there were unfavourable rumours to the effect that the islands, or some of them, were to be formed into a Confederation apart from Greece.

I said that I could not say that no Power was likely to raise the question of the islands, but it had not been raised lately, and as Greece was in possession I did not see that it was to her interest that it should be raised, nor had I thought it wise to raise it.

I am, &c.
E. GREY.

[53422] No. 186.

Sir Edward Grey to German Chargé d'Affaires.

SIR E. GREY presents his compliments to the German Chargé d'Affaires, and, with reference to the draft, communicated by Herr von Kühlmann on the 14th November, of the proposed agreement between the Bagdad Railway Company and the Ottoman Government, has the honour to transmit the accompanying counter-draft, which, in so far as British interests are concerned, appears to His Majesty's Government to meet the requirements of the situation.

A sentence has been added to article 1 so as to bring that article into accord with the corresponding stipulation in the Anglo-German draft.

No changes are made in articles 2 and 3.

Article 4, as drawn in the German draft, is impossible of being carried into execution. In the first place, a vessel drawing 24 feet would require a depth of considerably over 24 feet in the river; in the second place, as the depth on the bar of the Shatt-el-Arab is, as explained in Sir E. Grey's memorandum of the 23rd August, only 11 feet at low water springs, a depth of 24 feet over the bar cannot be attained except at high-water springs, and, even so, such a depth (24 feet) must be regarded as a desirable consummation rather than as an assured possibility.

For this reason His Majesty's Government consider that it would serve no useful purpose, and would indeed formulate an impossible condition, if a more positive or unqualified wording than that contained in the British counter-draft were adopted.

A paragraph has been added to article 5 in order to avoid a conflict of jurisdiction which might otherwise arise.

There is no change in article 6.

A paragraph has been added to article 7 so as to render it more complete.

Article 8 has been modified so as to be more in accord with the British counter-draft of the 18th September of the Anglo-German agreement. The final paragraph has been added after consultation with Lord Inchcape, the concessionnaire for the River Navigation Company under the Turkish declaration of the 29th July, 1913. His Lordship is fully prepared to provide, on terms to be mutually agreed, all reasonable facilities to the Bagdad Railway Company; but His Majesty's Government, having regard especially to section 3 of the proposals made on the 7th May, 1913, would be unable to assent to the grant outside Bagdad of such rights as are contemplated in article 8 of the German counter-draft communicated on the 14th November.

Foreign Office, November 25, 1913.

Enclosure in No. 186.

(No. 4.)

Official British Draft of proposed Agreement between Bagdad Railway Company and Ottoman Government.

(November 25, 1913.)

I.

BASSORA est fixé comme point terminus de la ligne du Chemin de Fer de Bagdad.

La Société du Chemin de Fer de Bagdad renonce à la concession de la construction et l'exploitation de l'embranchement partant de Bassora (Zobéir) ou de tout autre point de la ligne et aboutissant à un point du Golfe Persique (article I^er^, No. 4, de la Convention du 20 février (5 mars), 1903), ainsi qu'au droit de construire et exploiter un port à un point situé au Golfe Persique (article 23 de cette même Convention).

II.

La Société du Chemin de Fer de Bagdad confirme qu'elle continuera comme par le passé à appliquer à toutes les marchandises d'une catégorie identique qui pourront lui être présentées en vue d'être transportées par chemin de fer, entre les mêmes stations et dans les mêmes conditions, un régime parfaitement égal, tant pour le tarif en vigueur qui leur sera imposé que pour les facilités dont elles jouiront, quels que soient respectivement:

(*a.*) Le pays d'origine des marchandises importées dans l'Empire ottoman;

(*b.*) Le pays de destination des marchandises exportées de l'Empire ottoman;

(*c.*) Les pays d'origine et de destination des marchandises en transit par l'Empire ottoman; et

(*d.*) Le pavillon et l'armateur des bâtiments sur lesquels les marchandises sont importées ou exportées par les ports ottomans.

La Société du Chemin de Fer de Bagdad consent, en outre, à ce que les délais fixés par

l'article 21 de son Cahier des Charges, touchant les avis préalables à donner en cas de modification des conditions ou des prix des tarifs, soient uniformément portés à deux mois.

Ces avis seront insérés dans le Journal officiel du Gouvernement Impérial ottoman et dans le Journal de la Chambre de Commerce ottomane de Constantinople.

Les mots "les mêmes conditions" employés dans le présent article signifient les mêmes conditions de poids, d'emballage et de vitesse (grande, petite ou autre), la même catégorie de marchandises et les mêmes stations de départ et d'arrivée.

Ces dispositions s'étendront dans la mesure où elles y sont applicables au régime appliqué par la Société du Chemin de Fer au transport des voyageurs entrant dans l'Empire ottoman, le quittant ou traversant son territoire, et de leurs bagages. Toutefois, elles ne s'appliqueront pas au transport des émigrés et des indigents et de leurs bagages. Aux fins du présent alinéa, le terme "émigrés" se rapporte aux personnes venues s'établir dans les limites de l'Empire ottoman qui sont transportées par les soins de la Commission des Émigrés.

III.

En cas d'exécution d'un embranchement de Bassora ou de tout autre point de la ligne principale, au Golfe Persique, des arrangements seront conclus en vue de faciliter le trafic direct, sans rupture de charge, de et vers le réseau du Chemin de Fer de Bagdad, et il y aura sur cet embranchement une protection complète contre toute tarification différentielle, soit directe ou indirecte, comme cela est prévu à l'article 2 pour le Chemin de Fer de Bagdad.

IV.

Le Gouvernement Impérial ottoman s'engage à faire exécuter, par la commission mentionnée à l'article V des présentes, les travaux nécessaires pour l'amélioration des conditions de la navigation sur le Chatt-el-Arab, afin de maintenir, dans la mesure du possible, le chenal du fleuve libre de toutes espèces d'obstacles, et ladite commission viserait de prime abord, au moins jusqu'au port

de Bassora, une profondeur de 24 pieds au-dessous du niveau de la pleine mer de la grande marée.

V.

La construction et l'exploitation du port de Bassora, prévues à l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903, seront assurées par une Société anonyme ottomane à former dans ce but et dont les actes de concessions et les statuts seront arrêtés d'un commun accord entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad.

Le Gouvernement Impérial ottoman se réserve le droit de conférer ses droits de contrôle sur le port de Bassora à la commission qu'il se propose de charger de l'amélioration et du maintien de la navigabilité du Chatt-el-Arab.

Les conventions relatives à ce port et les statuts de la société à constituer contiendront des dispositions sauvegardant expressément les droits de la commission fluviale à établir pour l'amélioration des conditions de navigation sur le Chatt-el-Arab.

VI.

En ce qui concerne le port de Bagdad, la Société du Chemin de Fer de Bagdad aura le droit, soit de le construire et de l'exploiter elle-même, soit de conférer la construction et l'exploitation à une société à constituer *ad hoc*, dont la concession et les statuts seront analogues à ceux de la société à former pour la construction et l'exploitation du port à Bassora.

VII.

Aucuns frais, n'importe sous quel titre, ne seront imposés dans les ports de Bassora et de Bagdad aux navires et aux marchandises, quels que soient la nationalité, le propriétaire, le pays d'origine ou de destination des marchandises, et quels que soient les lieux de provenance ou de destination des navires et des marchandises, en tant qu'il ne s'agira pas d'une mesure générale applicable indistinctement et uniformément à tout le monde, sans exception et sans privilège spécial d'aucune sorte, en faveur de qui que ce soit.

Pour tout ce qui a rapport aux frais quelconques

à imposer dans lesdits ports, et aux facilités à accorder, un traitement identique sera assurée aux marchandises transportées ou à transporter par voie d'eau et à celles transportées ou à transporter par chemin de fer.

Pour tout ce qui concerne le stationnement, l'embarquement et le débarquement des navires dans ces deux ports, aucuns privilèges ou facilités ne sauraient être accordés à des navires quelconques, en tant que lesdits privilèges et facilités ne seront pas accordés également et dans les mêmes conditions, à tous les autres navires.

VIII.

La Société du Chemin de fer de Bagdad aura la faculté d'employer à Bagdad, pour le seul service du chemin de fer, des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum et des bacs (ferry-boats) d'un tonnage supérieur.

Ladite société, ou la Société du port de Bagdad si telle société est constituée en vertu de l'article 6 des présentes, aura la faculté d'employer à Bagdad des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum, pour le seul transport de son personnel, de ses ouvriers et de son matériel.

Ce matériel fluvial jouira de toutes les exemptions de droits d'entrée et autres, dont jouit le matériel roulant du chemin de fer, et il sera de même exonéré de tous impôts, redevances ou taxes, de navigation et autres.

Les combustibles nécessaires pour ce service jouiront de la franchise douanière au même titre que ceux consommés par le chemin de fer, et celui-ci aura le droit d'en opérer le transport dans les mêmes conditions que ceux destinés à son exploitation.

Les recettes du service susvisé restent acquises à la Société du Chemin de Fer de Bagdad.

En dehors dudit port de Bagdad, et partout où le besoin s'en ferait sentir sur le Tigre ou l'Euphrate, le Gouvernement Impérial Ottoman s'engage à obtenir de la Société Ottomane de Navigation Fluviale à constituer qu'elle se charge de tout service de navigation, y compris celui des bacs, à établir pour les fins du chemin de fer, selon des conditions, et aux endroits, à déterminer de temps en temps par contrat spécial entre les susdites Sociétés.

[53773] No. 187.

Sir L. Mallet to Sir Edward Grey.—(Received November 27.)

(No. 595.)
(Telegraphic.) R. *Constantinople, November 27, 1913.*

YOUR telegram No. 554 of 25th November.

I have obtained the Grand Vizier's promise that he will admit in principle German participation in the Turkish share up to 20 per cent. of the whole, but in return for this he will expect to get something from the Germans in the negotiations now proceeding at Berlin over and above their consent to the continuance of a monopoly which in practice exists already.

I hope this will be sufficient to enable you to answer the last German note. I had already clearly explained to the Grand Vizier Hakki Pasha's initiative in the matter of German participation. Neither his Highness nor Talaat Bey had ever heard of the proposal, doubtless because they have been entirely absorbed in other business.

[53891] No. 188.

Sir L. Mallet to Sir Edward Grey.—(Received November 28.)

(No. 596.)
(Telegraphic.) R. *Constantinople, November 28, 1913.*

YOUR telegram No. 522 of 8th November: Tigris and Euphrates navigation.

I am endeavouring to ascertain whether Yakub Issayi's permit still holds good; he has never worked it (see Sir G. Lowther's despatch No. 312 of 15th April, 1912).

[54494] No. 189.

Sir Edward Grey to Sir L. Mallet.

(No. 434.)
Sir, *Foreign Office, November 28, 1913.*

TEWFIK PASHA called here to-day to say that he and Hakki Pasha had been discouraging the Sublime Porte from listening to any proposals from the Italian Government for a railway concession starting from Adalia, on the ground that such a concession would conflict with the interests both of the Bagdad Railway and of the Smyrna–Aidin Railway, and would raise difficulties both with the German and the British Governments. The Grand Vizier had replied that no concession had been granted, but only permission to "faire des études."

Tewfik Pasha considered that to obtain permission to "faire des études" was usually a preparatory step to securing a concession, and he regretted that such permission had been granted. His Highness was informed that the matter was engaging the attention of His Majesty's Government, and that Sir L. Mallet had spoken to the Grand Vizier on the subject.

Tewfik Pasha mentioned incidentally that he was sure a long time would elapse before the Italians evacuated the Dodecanese, and that they were likely to endeavour to retain possession of one or two islands. He was informed that His Majesty's Government had received the most categorical assurances that Italy would not retain possession of any island, to which he rejoined by asking, if that were the case, why Italy did not evacuate them now, seeing that there were no Turkish troops in Tripoli.

I am, &c.
E. GREY.

[53917] No. 190.

Euphrates and Tigris Navigation.

Minute by Mr. Parker.

MR. SLAUGHTER, solicitor to the late Mr. H. F. B. Lynch, called to-day by appointment. He said that on looking through the correspondence it appeared nominally as if he had been acting on behalf of Mr. Lynch individually, but in point of fact he had been acting for Mr. Lynch as senior partner in Messrs. Lynch Brothers and as Chairman of the Euphrates and Tigris Navigation Company. Mr. Slaughter had received a visit from Mr. John Lynch (who he said was better known in the city as the Rajah of Bong) asking him to continue to act, and he intended to obtain a resolution of the Company asking him to do so, and a similar letter from Messrs. Lynch Brothers.

Mr. Slaughter then said that he thought Mr. John Lynch would be easier to deal with than his cousin; in fact Mr. John Lynch had, in measured terms, confided to Mr. Slaughter that he did not always see eye to eye with his cousin. The Euphrates and Tigris Company proposed now to elect Sir Walter Lawrence to a seat on their Board, and Mr. John Lynch had said that they were prepared to give Lord Inchcape a seat on it, and that they considered the terms stated in the Foreign Office letter of the 15th November to Messrs. Slaughter and May to be just and liberal, subject only to one or two minor points of detail, and to an arrangement, from which Lord Inchcape himself was understood not to be averse, providing for reference to arbitration in the event of disagreement on the joint management company. Mr. Slaughter asked me if he might reply to our letter of the 15th November as having been an offer to Mr. Lynch *qua* senior partner of Messrs. Lynch Brothers and Chairman of the Euphrates and Tigris Company. I said that I thought, so far as the Foreign Office was concerned, he might.

Mr. Slaughter then asked me to place before Sir E. Grey a very positive assurance on his part that he had strongly advised the late Mr. H. F. B. Lynch not to go to Constantinople, and I told him that Sir E. Grey was fully convinced on this point already.

In the afternoon Lord Inchcape called with his solicitor, Sir Henry Johnson, in order to discuss

certain modifications desired by Hakki Pasha in the concession of the proposed Ottoman company. These are matters of detail which it is not necessary for me to enter into here, but Lord Inchcape took the opportunity to say that he could not now entirely abide by the terms of the Foreign Office letter of the 15th November to Messrs. Slaughter and May (copy annexed). He said that it would only be possible for him to agree to those terms if he were elected Chairman of the Euphrates and Tigris Steam Navigation Company, as he could not possibly sit under the Chairmanship of any other members of the Board, Sir Charles Nicholson, Bart., who was an architect, Colonel Picot, who was a soldier, Mr. John Lynch, who was a commercial nonentity, or Sir Walter Lawrence, who was an ex-Civil Servant who had taken up directorships in later life, but who had no practical knowledge of trade or steamship management, though he was now a director of the P. and O.

I said to Lord Inchcape that I regarded this statement as rather disconcerting; no doubt the Company would be better run and the profits would be larger, if he were in the chair, but the Lynch connection might have sentimental reasons for not abandoning the Chairmanship, and I felt it would be very difficult, though I was not expressing anything but a personal opinion, for His Majesty's Government to bring pressure to bear upon the Euphrates and Tigris Company in the direction desired.

We had, as the ostensible reason for not proposing Mr. Lynch as the concessionnaire for the new Company, stated that Sir E. Grey wished to broaden the existing monopoly; this would almost preclude us from urging upon the Euphrates and Tigris Company what would be a virtual monopoly now; but while we could take no official action in the direction desired, I thought it not very likely that we should intervene officially to prevent such a measure if, by consent of the shareholders of the Euphrates and Tigris Company, Lord Inchcape were elected to the Chairmanship.

Lord Inchcape, who was very determined, thereupon decided to ask Mr. Slaughter to call upon him and discuss the matter. The former has just now telephoned to me to say that he has had a most satisfactory interview with Mr. Slaughter, whom he informed that he would

be prepared to take over the whole of Mr. H. F. B. Lynch's holding in the Euphrates and Tigris Company at a fair valuation to be made by Mr. Lynch's executors, provided he could be elected to the Chairmanship. Mr. Slaughter had fully appreciated the position and said he would see Mr. John Lynch to-morrow and strongly support Lord Inchcape's proposal, which he thought very reasonable from Lord Inchcape's point of view, and very desirable from the point of view of the Euphrates and Tigris Steam Navigation Company.

I have been very careful not to commit the Foreign Office in my communications with Lord Inchcape, for while personally I think the solution proposed would be the best in the interests of trade in general and of the Companies concerned, it is perhaps better to consult the Board of Trade, and I have accordingly communicated a copy of this minute to that Department privately.

Lord Inchcape told me that his reports from Basra were to the effect that the administration of the Euphrates and Tigris Steam Navigation Company was in a state of great disorder.

A. P.

November 28, 1913.

[For Appendix (letter addressed to Messrs. Slaughter and May, November 15, 1913), see No. 142.]

[53940] No. 191.

Mr. Dering to Sir Edward Grey.—(Received November 29.)

(No. 326. Very Confidential.)

Sir, *Rome, November 23, 1913.*

THE polemics in the French and Italian press, to which His Majesty's Ambassador at Paris has alluded in a recent despatch, now show some signs of abating in Italy. Ever since the French press comments on the action taken at Athens by the Italian and Austro-Hungarian Governments alone in regard to Greek interference with the work of the International Frontier Commission in Southern Albania, the tone of the Italian newspapers has been almost hostile. The real reason for this I believe to be the conviction which has become common throughout Italy that France is supporting Greek pretensions and aspirations, not only on the Albanian frontier, but also in connection with the Ægean islands. There have been many indications of late which lead me to infer that the Italian Government share this opinion, which may be the reason why no steps have been taken to induce the Italian press to moderate their attitude towards France. However, the Italian press appear to have exhausted for the moment their stock of sarcastic and acrimonious remarks, and it may be that the battle has ended for want of fresh ammunition. The fact remains that Greece is not popular in this country at present.

The Minister for Foreign Affairs is certainly apprehensive of the rôle which Greece is likely to play in the Eastern Mediterranean in the event of her becoming the permanent mistress of, at all events, those islands of the Ægean which she at present occupies. The questions recently addressed to you on his behalf by Marquis

Imperiali on the subject of those islands would alone prove as much. Marquis di San Giuliano has told me in plain language that he mistrusts the French Government and their policy with regard to Greece, and to the Turkish Ambassador he has been still more frank, saying that a strong naval Power, such as Greece was liable to become in the Ægean, would be a danger to Italy, seeing that, in the event of a conflict between the two great European groups of Powers, all her support would be naturally attracted to France and the Triple *Entente*. Marquis di San Giuliano has even intimated his fear to the Turkish Ambassador that, should Italy hand over to Turkey at the present juncture Rhodes and the other islands occupied by her troops, France, supported by Russia, possibly by Great Britain, and even by Germany, of whose attitude as regards Greek aspirations he does not feel quite sure, might make a strong effort to secure their surrender to Greece. This, I gathered from Naby Bey, would be bitterly opposed by Italy and naturally likewise by Turkey.

As you remarked on the 7th November to Marquis Imperiali, the longer one stays in a place the more difficult it becomes to get out of it. It is true that there is not only in military and naval circles here, but also among senators and deputies, an intense longing to possess Rhodes, at least of the islands, and that the idea of "Rodi Italiana" is already strongly rooted. It is also a fact that the Italian Government have gone no further towards evacuation of the islands than to give repeated assurances all round, including many to the Turkish Ambassador here, that it is their intention to do so. Naby Bey has pointed out to the Minister for Foreign Affairs that only forty Turkish regulars remain in Cyrenaica; that these are held prisoners by the Senoussi and are incapacitated from leaving the country; and that, in order to comply with the provisions of the Lausanne Treaty, the Ottoman Government have struck these men off the roll of the Turkish army. If this is correct, there are no longer, as I have suspected for some time, any Turkish soldiers left in Cyrenaica, although the Italian Government may argue that the forty men unable to get away are technically still Turkish soldiers. I have not gathered, though, that they do argue thus; on the contrary, Naby Bey was quite recently assured by the Minister for Foreign Affairs, "pour la millième fois," that Italy meant to surrender the islands to Turkey, and expressed to me his conviction that Italy would do so very shortly, but is only hindered by the fear that they might then be adjudged to Greece.

Discussing Italian policy towards Turkey, Naby Bey intimated to me that it was inclined to be Machiavellian. Perhaps with a view to obtaining valuable concessions in Asia Minor, perhaps in order to obtain Turkish active support against Greece, Marquis di San Giuliano had recently made the most, in course of conversation with him, of the services rendered by friendly Italy to Turkey. These services, the Ambassador observed to me smiling, did not really amount to a row of pins. For instance, he had been asked to believe that Italy even had a hand in obtaining the retrocession of Adrianople to Turkey, which, said Naby Bey, was most certainly an exaggeration. It was interesting to observe throughout the Ambassador's remarks the Oriental tendency to pit one group of European Powers against the other, to the probable benefit of his own country. He professed himself keenly anxious to secure the surrender to Turkey of Rhodes and the other islands, and I think he is sincere.

Still I feel it my duty to mention the idea which occurs to me that, rather than contemplate the possibility of Marquis di San Giuliano's fears becoming realised and see those islands in the possession of Greece, Turkey might even prefer to see them retained by a friendly Power for at least some time longer, and might be induced to suggest this to Italy if she saw any signs of a proposal of the kind. Or Turkey might, on receiving back the islands, ask for or be offered Italy's guarantee for support in the event of a Greek attack on the islands or any attempt to dispossess her. At present, however, if Naby Bey is to be believed as to his continued representations to the Italian Government, there appears to be no question of any such intention on the part of the Ottoman Government.

To revert to the Franco-Italian press polemics, I have to report that last Friday Signor Luzzati, a staunch friend to France, published two vigorous articles in the Milanese "Corriere della Sera" and the Roman "Italie," strongly advocating a return to reason. He pointed out that there were no real grounds for France and Italy to disagree; that Germany and Austria-Hungary did not hesitate to cultivate friendly relations and carry on negotiations with the Powers of the Triple *Entente* while still preserving their loyalty to the Triple Alliance. Why, then, should not Italy do likewise? He urged the advantage to Italy of a frank understanding with Great Britain and France in the interests of the new Libyan colonies, and declared that the alleged

difference of interests between France and Italy was not real, and would be heard of no more when the press of both countries had allowed their better sense to prevail. No English or Russian newspapers had attacked Italy on subjects connected with Greece, which interested both these countries as much as France. He ended his extremely dignified exhortation by warning the Italian and French Governments of the grave responsibility which they would be assuming in permitting press acerbities to continue, tending to separate two countries which ought to be co-operating. Europe requires peace, he added, and will have it at any price.

Signor Luzzati's pen is powerful in Italy just now, while he is known in France as a friend, so it is not unlikely that the modification of tone to which I alluded at the beginning of this despatch may also be due in some measure to the publication of his signed articles.

I have, &c.
HERBERT G. DERING.

[54034] No. 192.

Lord Rathmore to Sir Edward Grey.—(Received November 29.)

Winchester House, Old Broad Street, London, November 28, 1913.

Sir,

THE Secretary has informed me of the substance of a communication, which you were good enough to convey to him over the telephone on Monday last, to the effect that as your negotiations with his Highness Hakki Pasha were drawing to a close, it was advisable that this company should as soon as possible come to terms with his Highness with a view of profiting by the fact that the Ottoman Government were now seeking certain important financial advantages, for the obtaining of which the consent of His Majesty's Government is necessary. I understand from the Secretary that at the same time you recalled the desire lately expressed by you that this company should not insist in too conservative a spirit upon complete compliance with its wishes.

I beg to assure you that my Council has gone into the consideration of the present situation with the strongest desire to fall in with your friendly suggestion; but the sacrifices required of this company by his Highness Hakki Pasha for the granting of the concessions we have asked for, viz., the cancelling of the obligation of the Ottoman Government to pay us some 4¾ millions sterling at the end of the company's present concessions (in exchange for an extension of its present term), and the change of the company's nationality are out of all proportion to the petition of this company. My Council hardly regards the concession of the right to make a comparatively small branch line through a thinly populated agricultural district entirely at its own cost and risk as a favour at all, especially as it would confer much greater immediate benefit on the country than it would upon the company. It is a fact that during the last thirty years the company has practically stood alone in being willing to construct on those terms.

The Ottoman Government without any external pressure have hitherto granted the company gradual extensions, recognising the benefit to the Ottoman people and to the Ottoman exchequer thereby conferred by the introduction of foreign capital on such favourable conditions, and in this way opening up a portion of the country so much in need of development. Quite recently my Council had to refuse to apply for extension concessions urged on them by the Government of His Majesty the Sultan.

In this class of undertaking the company cannot expect a fair return for its large outlay until the lapse of many years; and that is the reason of the request for an extension of the term of concession.

We recognise that it is desired that we should try to meet his Highness Hakki Pasha's proposals. We do not agree with his calculations, because, while it is possible for the gross traffic to double in forty years, the great increase of gross traffic may leave the company with no larger net income than what would be sufficient to maintain present rates of dividend. This is the almost universal experience of both British and foreign railways.

One of my colleagues has called upon Mr. Stanley at the Board of Trade as desired, and has conferred with him upon his Highness Hakki Pasha's proposals. I do not propose to go further into his Highness's calculations as to remote future profits at present, because my Council is willing to put forward an alternative suggestion, based

on the idea of his Highness Hakki Pasha's views, which will ensure the participation by the Imperial Ottoman Government of these possible increases of the earnings.

The following basis is therefore suggested:—

1. Existing conventions to remain in force until 1950.

2. The concession to be prolonged from after the 15th October, 1950, for a term of forty-nine years.

3. The company to have after 1950 as a first charge on the net receipts a sum equal to 6 per cent. per annum on the agreed purchase price the Government would have had to pay in 1950, but for the prolongation of the term of the concession, and also on all new capital expenditure sanctioned by the Imperial Ottoman Government.

4. The surplus net profits, of the above deductions, to be divided as to one-third only for the ordinary shareholders, and the balance to form a Sinking Fund to reduce or extinguish the purchase price payable by the Government at the end of the concession.

5. If the purchase price under this division of profits is fully provided for by the Sinking Fund at the termination of the concession, the Government to have to pay only in addition the value of the stores and movables and of the rolling stock; but any shortage in such Sinking Fund to be either made up by the Government, or alternatively, the company to continue the working of the railway on the same terms until the purchase money is completed.

6. Should the purchase price be fully provided for by the Sinking Fund before 1999, then the whole of the two-thirds of the surplus thereafter to go to the Government.

The main idea of the foregoing proposal it will be seen is to throw upon the Imperial Ottoman Government the risk that the surplus profits of the undertaking will not be sufficient to form the whole of the Sinking Fund after allowing a reasonable sum for interest on the capital involved.

The Council is obliged to bear in mind that the line at present is the security to the proprietors for the 4 to 5 million sterling of their capital until the Government can and do exercise their option of repaying it, and that this fact is really the basis upon which that capital has been raised, and the Council cannot consent to fundamental changes on this point or in the status of the company, which the Council believe would be injurious to the interests as well as contrary to the wishes of the proprietors of the railway. On former similar occasions at times when the company has had no external pressure which it could bring to bear in its favour, the Ottoman Government has readily granted it extensions, and it seems difficult to believe that it will now persist in its objections when it is seeking important favours from the good-will of His Majesty's Government; favours which would probably impose upon the company serious financial losses, both directly through income tax upon its officials and indirectly by acting as a clog on the receipts of this company.

With regard to clauses 2 to 10 of his Highness Hakki Pasha's memorandum, they deal mostly with questions of detail which do not appear to call for much comment at the present time. The points raised in clauses 6 and 7 seem quite capable of adjustment.

The Council trusts that His Majesty's Government will continue to vigorously support the very moderate and reasonable requests it makes for the prolongation of the term of concession to 1999, and for the extensions to Beyshehir and Sandikli, and that it will secure without further delay the granting of facilities for the navigation of Lake Egherdir, the urgent importance to this company and the obvious justice of which I have already had the honour of submitting to you.

I have, &c.
RATHMORE, *President.*

[54078] No. 193.

Mr. O'Beirne to Sir Edward Grey.—(Received November 29.)

(No. 396.)
(Telegraphic.) R. *St. Petersburgh, November 29, 1913.*

YOUR telegram No. 764 of 26th November: Shatt-el-Arab Riverain Commission.

I pressed the Minister for Foreign Affairs for a reply.

He said that the Russian Government had not the least desire to make difficulties for the Commission, but that the provisions of article 7 and article 8 of the Anglo-

Turkish Convention were not consistent with the additional declaration. Russia could not agree to the diminution of her rights under the Capitulation, which would be involved by the enforcement of the above-mentioned articles. He would, however, gladly accept any suggestion which would enable her to escape this difficulty without "loss of face" as regards treaty rights.

If no such arrangement as suggested by the Russian Ambassador (Constantinople telegram No. 580) can be considered by His Majesty's Government, I might endeavour to induce the Russian Government to enter into an arrangement with us by which they would delegate the functions of the Russian consul *ad hoc* to the British commissioner, who would keep Russian consulate fully informed of matters affecting Russian subjects. I could argue that this involves no diminution of treaty rights.

[54078] No. 194.

Sir Edward Grey to Mr. O'Beirne.

(No. 769.)
(Telegraphic.) R. *Foreign Office, November 20, 1913.*

YOUR telegram No. 396 of 29th November: Shatt-el-Arab: Riverain Commission.

It is not necessary to adopt procedure indicated in final paragraph, which goes beyond anything we desire, and would be impracticable, as both commissioners are Turkish officials, though one is of British nationality.

I am not sure from your telegram if the Russian Government concur in the views of Russian Ambassador as reported in Sir L. Mallet's telegram No. 580 of 19th November; but, if they do, please explain that His Majesty's Government have never contemplated exclusion of foreign consul or dragoman concerned under article 7 of convention, and they fail to see how Turkey could possibly oppose the presence of such officials in the face of the additional declaration of 21st October which Hakki Pasha has signed.

As to article 8, it is expressly laid down that the persons arrested shall be handed over to the "competent authorities"; these authorities would be those recognised under the Capitulations; arrests would, it is true, be carried out in the first instance by the Commission's police, but only in so far as it otherwise might be in practice impossible to effect arrests at all, and immediately after such arrests the consul concerned would be notified and the prisoner handed over to him. Save in such entirely exceptional circumstances, arrests would, in pursuance of the declaration of 21st October, be effected in the normal manner through the consul concerned.

You should discuss the subject fully with Russian Minister for Foreign Affairs and endeavour to induce his Excellency to withdraw his objections with the least possible delay, basing your arguments on the terms of the additional declaration of 21st October. If, however, you are not successful you should telegraph the precise wording which would be acceptable to his Excellency.

(Repeated to Constantinople, No. 555.)

[54382] No. 195.

Sir L. Mallet to Sir Edward Grey.—(Received December 2.)

(No. 948.)
Sir, *Constantinople, November 23, 1913.*

BEFORE receiving the instructions contained in your telegram No. 524 of the 8th November, I had informed Colonel Hawker of the views expressed by His Majesty's Government on the subject of important administrative changes involving definite and new appointments of a permanent character of British officials as contained in your telegram No. 488 of the 21st October, and as Colonel Hawker had left for Smyrna on the 5th November I waited until he returned to communicate with him further. I then informed him of your further instructions, the substance of which he communicated to General Baumann, the French commandant of the gendarmerie, who called with Colonel Hawker to see me on the following day. I explained the situation fully to the general, who assured me that the appointment could not be anything but of a temporary nature, as the engagement of the European officers came to an end next June. I replied that, so long as that was the case, I need say no more. General Baumann added that Colonel Hawker would be at the head of four regiments of gendarmerie and a French gendarmerie officer would command three other regiments, and that he was sending others, British and French officers, to serve under them. On the next day

Colonel Hawker stated to a member of my staff that, owing to private objections, the French gendarmerie officers who had been ordered to serve under him were making difficulties about obeying. He added that, in conversation with Talaat Bey, the latter had said to him that if the Frenchmen were not available the Government would approach the Italians and ask them to supply some suitable officers. Colonel Hawker added that he had been given to understand that he was to be promoted to the rank of general, and that the Council of Ministers had already approved this promotion. On his asking Talaat Bey for instructions as to the general object of his mission, his Excellency had replied that he was to do his utmost to content the Armenians, and that, with that object in view, he was to have full power to enter into direct communication with them and to receive any complaints.

On receipt of this information I caused an enquiry to be addressed to General Baumann, the French commandant of the gendarmerie, asking whether it was true that the French officers appointed to serve under Colonel Hawker had refused to proceed. General Baumann replied that there was no truth in the rumour, that he had appointed two British officers (Colonel Hawker and Captain Deedes or Captain Nye), and two French officers (MM. Enchéry and Roux) to serve in Eastern Anatolia, that M. Enchéry was already at his post at Trebizond, and that in the event of M. Roux's state of health preventing him from proceeding he would replace him by another French officer. Five other officers were required for Eastern Anatolia, and as all the foreigners at present attached to the gendarmerie were engaged elsewhere, he proposed to engage five new instructors for this service. He did not specify of what nationality the new men were to be. General Baumann repeated that, as the contracts for all gendarmerie officers expired in June 1914, the present appointments were necessarily of a purely provisional character, and that as the action of the foreign gendarmerie officers was strictly limited to the service of reorganising a force charged with the maintenance of order and public security, and had no connection with any plan whatsoever of general reform.

I thought it well to mention the matter to my Russian colleague, and to learn his Excellency's views on these appointments. M. de Giers received the news in a friendly spirit, and merely said that appointments of this description, if they were found to be of a permanent character, they would simply not be recognised, and that he should so inform the Grand Vizier that afternoon.

I have, &c.
LOUIS MALLET.

[54146] No. 196.

Sir L. Mallet to Sir Edward Grey.—(Received December 1.)

(No. 955.)
Sir, *Constantinople, November 25, 1913.*

I HAVE the honour to report that, on the 31st ultimo, the first train proceeded from Adana to Alexandretta, where the formal inauguration of this line took place in the form of a banquet given by the railway company to the director-general of railways at the Ministry of Public Works, the directors of the company, and many other officials, both technical and local, including the Consular Corps.

I have, &c.
LOUIS MALLET.

[54149] No. 197.

Sir L. Mallet to Sir Edward Grey.—(Received December 1.)

(No. 958.)
Sir, *Constantinople, November 25, 1913.*

IN continuation of my despatch No. 953 of the 21st instant, I have the honour to enclose a copy of a revised project of reforms for the eastern vilayets, which has been drawn up by the Russian Ambassador, in consultation with the German Ambassador, on the basis of the recent discussions which he has had with the Grand Vizier, as reported in my despatches Nos. 933 and 939.

In the opinion of both my colleagues, in which I concur, it represents the maximum demand which it is possible to make with any chance of success at the present time; and if the Porte accepts it with a good grace, and puts its provisions into force, it should provide

a solid guarantee of better government for the vilayets. It will be seen that the condition that the inspectors-general should be European has been dropped, and the appointment of foreign advisers suggested in their place. This may at first sight appear to be an undesirable alteration, but I am convinced that it is in reality an improvement on the original idea, because it is important that the administration should preserve, as far as possible, an Ottoman exterior, so long as the advisers are given sufficient power to make their advice and control effective, which will be the case if the provisions of article 8 are accepted.

No direct mention is made of the exercise of control by the Powers through the Ambassadors at Constantinople, as both M. de Giers and Baron de Wangenheim consider this unnecessary, in view of the treaty provisions of the Treaty of Berlin, and as the Ambassadors have, in any case, an inherent right of intervention, which they will not fail to exercise in case of necessity.

Control is a point on which the Turkish opinion is extremely sensitive, and had any more direct reference been made to it than is contained in article 8 there would be but little chance of the Porte accepting the project.

As it is, my Russian colleague, on whom I called this morning in order to ascertain what had passed yesterday in his interview with the Grand Vizier, who had been placed in possession of the draft project two days previously, did not give a very reassuring account of its prospects of acceptance.

He said that the Grand Vizier had evidently encountered great opposition in the Council of Ministers on the previous day, when the matter was discussed, and had probably been criticised for having gone so far as he had done in previous conversations. His Highness was in a very untractable state of mind, and as no progress was made after a conversation of an hour and a half, M. de Giers proposed the adjournment of the discussion to another day.

In the course of the interview his Excellency informed his Highness that the project represented the minimum of what the Powers could ask, and that, if the Porte refused it, and if massacres followed on their refusal, he could not answer for what the Russian Government might do. The situation would at once become extremely grave, and he would have to leave the matter in the hands of his Government.

I had some conversation with the Austrian Ambassador this evening on the same subject. He said that he thought that the Porte would end by accepting the project, which, it must be admitted, was of a reasonable character and did not go too far. He said that perhaps it would be a little easier for the Porte if they were given two or three names from whom to choose their advisers, but that the question of the nationality of this adviser would have to be considered. M. de Giers, he told me confidentially, has said that the Russian Government would certainly not accept an Englishman; they would also, M. de Pallavicini added, certainly not take a German; the Turkish Government would as certainly refuse a Russian, so that it would, in his opinion, be necessary to select them from the subjects of a minor Power.

I agree in thinking that this course is the best under the circumstances, although it is very unfortunate that Englishmen would not be acceptable, as they would undoubtedly be well suited for the sort of work and would not meddle in politics.

I have, &c.

LOUIS MALLET.

Enclosure in No. 197.

Revised Project of Reforms for Eastern Vilayets.

ARTICLE 1er.

LA Sublime Porte a décidé de s'adresser aux Puissances pour leur demander de lui recommander deux conseillers qui seront adjoints aux deux inspecteurs généraux que le Gouvernement Impérial ottoman a placés à la tête des deux secteurs de l'Anatolie orientale:

(*a.*) Erzeroum, Trébizonde, Sivas; et
(*b.*) Van, Bitlis, Kharpout, Diarbékir.

La Sublime Porte déclare vouloir conclure avec ces conseillers des contrats et manifeste en même temps de sa résolution d'avoir recours dans l'espace de dix ans à la recommandation des Puissances toutes les fois où ces contrats auraient pris fin.

ARTICLE 2.

Toutes les mesures ordonnées d'un commun accord par l'inspecteur général et le conseiller dans les questions administratives, financières et judiciaires sont définitives et devront être exécutées par les autorités civiles et militaires de qui dépend leur exécution.

ARTICLE 3.

Les inspecteurs généraux exercent le droit de révoquer tous les fonctionnaires de leurs secteurs, droit qui leur a été accordé par les instructions annexées à la note circulaire de la Sublime Porte en date du 1er juillet, 1913, conjointement avec les conseillers.

Ils auront également le droit de nommer conjointement tous les fonctionnaires et juges dont la nomination n'a pas besoin d'un iradé Impérial. Quant aux fonctionnaires et juges dont la nomination exige la sanction souveraine, ils auront le droit de présenter leurs candidats à l'approbation de Sa Majesté le Sultan.

ARTICLE 4.

Les "Instructions relatives aux Devoirs et Attributions des Inspecteurs généraux," annexées à la note circulaire de la Sublime Porte du 1er juillet, 1913, *sub* No. 34233/75, seront revues et mises en concordance avec les intentions de la Sublime Porte exprimées dans la présente note.

ARTICLE 5.

Le conseiller est l'autorité immédiate de laquelle dépend le service d'inspection du secteur. Il préside la Commission d'Inspection formé par les inspecteurs en chef toutes les fois qu'il juge à propos de les convoquer.

ARTICLE 6.

Le conseiller vérifiera soit en personne, soit par les inspecteurs placés sous les ordres, la situation des vilayets de son secteur, de même qu'il vérifiera tous les incidents et les questions administratives, financières ou judiciaires d'ordre général ou de caractère particulier ou privé qui pourraient surgir. Le conseiller examinera les rapports dressés par les inspecteurs et les transmettra à l'inspecteur général soit directement, soit après avoir fait discuter par la Commission d'Inspection les parties qu'il jugerait nécessaire d'y référer. Le conseiller ajoutera toujours son avis personnel sur les questions faisant l'objet de ces rapports.

ARTICLE 7.

L'inspecteur général mettra en exécution les rapports d'inspection et les décisions de la Commission approuvées par le conseiller et soumis par lui.

ARTICLE 8.

L'inspecteur général ne prendra aucune mesure d'ordre administratif, financier ou judiciaire sans accord préalable avec le conseiller. En cas de divergence entre l'inspecteur général et le conseiller, la question en litige sera soumise au Grand Vizirat, qui lui donnera la suite qu'elle comporte (après entente avec les ambassades). Si le différend n'est pas tranché dans le délai d'un mois, c'est l'avis du conseiller qui prévaudra.

ARTICLE 9.

En ce qui concerne les décisions prises par le conseiller relativement aux questions (1) touchant à l'application des lois, ou (2) n'ayant pas un caractère général, ou (3) présentant un caractère d'urgence, elles seront exécutées sans délai et sans recours au Grand Vizirat.

ARTICLE 10.

Les membres élus aux assemblées générales et aux conseils administratifs seront par moitié musulmans et non musulmans.

Ce même principe d'égalité sera appliqué pour la répartition de toutes les fonctions publiques dans les deux secteurs.

ARTICLE 11.

La compétence législative et budgétaire des assemblées générales sera étendue dans la mesure prévue par le projet de loi de 1880.

ARTICLE 12.

Les recrues domiciliés dans chaque secteur y feront, en temps de paix, leur service militaire. Les régiments Hamidié seront licenciés.

ARTICLE 13.

Les lois, décrets et avis officiels seront publiés dans chaque secteur dans les langues locales. Chaque particulier aura le droit devant les tribunaux et devant l'administration de faire usage de sa langue. Les jugements des tribunaux seront libellés en turc, et accompagnés, si possible, d'une traduction dans la langue des parties.

ARTICLE 14.

Chaque nation a le droit de créer des taxes spéciales pour pourvoir aux besoins de ses écoles. La perception aura lieu sous forme de centimes additionnels.

ARTICLE 15.

Le conseiller présidera la Commission, qui sera chargée de trancher les conflits agraires et de restituer aux Arméniens les terres dont ils ont été dépossédés.

ARTICLE 16.

La justice sera réorganisée.

[54364] No. 198.

Mr. O'Beirne to Sir Edward Grey.—(Received December 1.)

(No. 397.)
(Telegraphic.) R. *St. Petersburgh, December 1, 1913.*

YOUR telegram No. 749 of 29th November: Shatt-el-Arab: Riverain Commission.

Before I could arrange for discussion with Minister for Foreign Affairs I received from him an *aide-mémoire* to the following effect:—

Additional declaration is in contradiction to articles 7 and 8 of the convention, because, under the Capitulations, all taxes on Russian subjects require sanction of embassy; fines can be inflicted only with knowledge of, and levied through intermediacy of, consul, and detention must be in the consulate.

Russian Government cannot surrender above privileges, but to meet wishes of His Majesty's Government propose the following compromise:—

(*a.*) Since British officials are members of the Commission, the latter may be empowered by "delegations" to enquire into cases affecting Russian subjects and to impose fines, but only in the presence of Russian dragoman.

(*b.*) Levy of fines imposed and detention to take place in the consulate.

(*c.*) Consul to be entitled to acquaint himself with the case and with the Commission before the hearing.

(*d.*) Consul to be entitled to ask Commission for explanation regarding amount of dues imposed on shipping and necessity of expenditure incurred by Commission.

(*e.*) Consul must continue to have right to arrest Russian subjects and maintain order on Russian ships in Shatt-el-Arab, also on shore, and Commission will be bound to render consul assistance.

Russian Government ask that changes corresponding to above stipulations be introduced into the convention. They will then instruct consuls to see that Russian ships pay dues.

I am to see Minister for Foreign Affairs to-day, and will report to-night how far he can be induced to modify those of his desiderata which are not already fully satisfied by the declaration of 21st October. Are there any objections to stipulation (*b*)?

[54366] No. 199.

Mr. O'Beirne to Sir Edward Grey.—(Received December 1.)

(No. 399.)
(Telegraphic.) R. *St. Petersburgh, December 1, 1913.*

MY telegram No. 397 of 1st December: Shatt-el-Arab: Riverain Commission.

As result of discussion with Minister for Foreign Affairs, Russian Government will not ask for any alteration of convention or any new declaration if I am authorised to address communication to them to the following effect:—

Stipulation (*a*). His Majesty's Government understand by declaration of 21st October that dragoman of Russian consulate is entitled to be present at hearing of cases affecting Russian subjects.

(*b.*) His Majesty's Government agree, but amount of fines to be remitted to Commission.

(*c.*) His Majesty's Government agree.

(*d.*) In addition to accounts published under article 15, Commission will furnish Russian consul if he so desires with full explanations regarding dues imposed, and works undertaken which necessitate such dues.

(*e.*) Nothing in article 8 affects right of Russian consul to exercise his usual functions in relation to Russian subjects on board Russian ships in Shatt-el-Arab and on shore, and Commission will render consul necessary assistance.

Russian Government will, on their side, recognise right of Commission to levy dues and instruct consuls to see that Russian ships pay dues and observe regulations.

[54440] No. 200.

Minute by Mr. Parker.

I HAD an interview of four hours and a half with Hakki Pasha and Sassoon Effendi to-day.

We went into various points about the navigation concession in considerable detail, notably in regard to customs, voting power, and drafting of the statutes, which they insist upon seeing before the concession is signed. They are already drafted and I have informed Lord Inchcape's solicitors of their wish.

Hakki Pasha then said that he had had a letter from Djavid Bey to say that the Germans regarded the Mesopotamian oil question as settled between German and British interests, but that he, Hakki Pasha, had reason to know that the question was far from being settled, for M. Gulbenkian held 15 per cent. of the National Bank's shares, which holding had, he understood, already been made over to the Shell Transport Company, in which the greater part of M. Gulbenkian's fortune was already invested.

The National Bank were not, therefore, free agents in regard to the whole 50 per cent. of their holding. I said I was much interested to hear this, and I asked him if M. Gulbenkian's shares were not divested of voting rights, merely entitling that gentleman to a share in any ultimate profits. Hakki Pasha said that, so far as he was aware, no conditions had been made by M. Gulbenkian when transferring his rights to the Shell Company, but he begged that his remarks to me might be treated as confidential.

Hakki Pasha asked me what was to happen if the Shell Company, or M. Gulbenkian, brought an action against the National Bank for an illegal transfer of some of their holding.

I replied that I had no fears of any such contingency arising, since without such a transfer His Majesty's Government would have paralysed, partially if not entirely, the operations of the Turkish Petroleum Company in Mesopotamia, since His Majesty's Government disputed their title, holding that the Ottoman Government were pledged as regards the oil concession to Mr. D'Arcy. Hakki Pasha then said that His Majesty's Government must bring great pressure to bear upon Mr. D'Arcy to accept a reasonable settlement, since, as regards the Mesopotamian concession, His Majesty's Government were his creator, and everyone must respect their creator.

I said that this line of argument appeared to me to be topsy-turvydom pure and simple; the Shell were obviously trying to prevent a settlement which it was hoped would reconcile British and German interests, and were doing so upon selfish and utterly unscrupulous grounds. They, however, overlooked the cardinal fact that the Turkish Petroleum Company at present only held rights which were entirely disputed by His Majesty's Government, and indeed by the Turkish Government themselves, and there was no possibility whatever of the said rights being confirmed by the Ottoman Government unless with the consent of His Majesty's Government, as to act otherwise would involve the complete breakdown of the pending negotiations. His Majesty's Government, however, would not give their consent to the recognition of the Turkish Petroleum Company's rights, or rather claims, unless Mr. D'Arcy's claims, which appeared to them far stronger, were satisfied by an acceptable compromise.

I am sending a copy of the above minute to the Board of Trade, and I will embody in separate minutes discussions I had about the Italians at Adalia and Rhodes, and matters relating to ratifications.

A. P.

December 1, 1913.

[54383] No. 201.

Sir L. Mallet to Sir Edward Grey.—(Received December 2.)

(No. 962.)

Sir, *Constantinople, November* 27, 1913.

IN accordance with the instructions contained in your despatch No. 393 of the 23rd instant, I have the honour to inform you that I have consulted Mr. Fitzmaurice as to whether he considers that the protocols of 1903, 1904, 1905 regarding the delimitation of the Aden Boundary should all be ratified.

Mr. Fitzmaurice is of the opinion that it would seem best to have all three protocols ratified. He further observes that there is also the question of the inhabitants of Shahr and Mukalla on the Hadramaut coast, whom the Turkish authorities, notably at Hodeidah, have in the past claimed as Ottoman subjects.

It might, he suggests, be expedient to utilise the present occasion to induce the Ottoman Government to send instructions to the Yemen authorities not to insist in the future on the recognition of these people as Ottoman subjects.

I have, &c.

LOUIS MALLET.

[54387] No. 202.

Sir L. Mallet to Sir Edward Grey.—(Received December 2.)

(No. 963.)

Sir, *Constantinople, November* 27, 1913.

IN continuation of my despatch No. 958 of the 25th instant, I have the honour to report that I enquired of my Russian colleague to-day what had been the result of his interview with the Grand Vizier on Tuesday afternoon on the subject of the reform project. M. de Giers said that no advance had been made: the Grand Vizier had spoken of a counter project but had not yet produced it, and his Excellency feared that his Highness was experiencing great opposition in the Council of Ministers to any scheme inspired by the Powers.

I asked whether in these circumstances the time had not come for me to speak again to the Grand Vizier, and as M. de Giers welcomed this proposal, it is arranged that I shall see his Highness on Monday next, when he returns from Adrianople, and urge upon him the acceptance of the Russo-German proposals. I suggested that the assistance of the French Ambassador might also be usefully invited. M. de Giers agreed and said that he would ask the representatives of all the Great Powers to take similar action.

I have, &c.

LOUIS MALLET.

[54447] No. 203.

India Office to Foreign Office.—(Received December 2.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of an enclosure in a letter from the Foreign Secretary to the Government of India, dated the 13th November, 1913, relative to oil in the Red Sea. Copy has been sent to the Admiralty.

India Office, December 1, 1913.

Enclosure in No. 203.

Government of Bombay to the Government of India.

(Confidential.)

Bombay Castle, November 7, 1913.

Sir,

WITH reference to the correspondence ending with the telegram from the Government of India, dated the 21st October, 1913, on the subject of the existence of oil in the territory of the Sultan of Shehr and Mokalla and in the Red Sea isles, I am directed to state that the Political Resident, Aden, reports that it is difficult to obtain reliable information on such matters as regards Mokalla as there is no British officer on that side. In reply to his enquiries, however, the Arabs have frequently told him of the existence of oil and mineral deposits in that quarter, and the Eastern Syndicate tried to prospect for them, but were thwarted. He adds that he himself saw traces of oil five miles inland.

2. As regards the Farsan Islands, an Arab merchant who recently went to Hodeidah has informed the Political Resident, Aden, that he has learnt from trustworthy sources of the existence of minerals and kerosene oil in the islands, that the Germans have been trying to obtain a concession for working the mines, but that the Turkish Government desired to give preference to local merchants and companies, and that one or two Arab merchants of Hodeidah intend to float a company for the purpose. The Resident adds that during the Turco-Italian war the Farsan Islands had come under the influence of the Idrisi, but that it is reported that the Turkish troops have reoccupied the islands recently and that the Mutessarif of Hodeidah has gone there and made a settlement with the inhabitants. The Resident suggests a reference to His Majesty's vice-consul at Hodeidah as being in a better position to give more detailed news.

I have, &c.

C. C. WATSON,

Secretary to Government.

[54366] No. 204.

Sir Edward Grey to Mr. O'Beirne.

(No. 779.)

(Telegraphic.) R. *Foreign Office, December 2, 1913.*

YOUR telegrams Nos. 397 and 399 of 1st December: Shatt-el-Arab: Riverain Commission.

The stipulations of the Russian Government appear to me reasonable, and I am willing to adopt procedure proposed on the understanding that (*d*) will give the Russian consul no right to veto works considered necessary by Commission.

You should draw up texts of proposed communications to and from Russian Government in consultation with Minister for Foreign Affairs, and then submit them to me by telegraph for approval. I will then, before ratifying Convention of 29th July and additional declaration of 21st October, address a note to Hakki Pasha informing him of exchange of notes with Russia and stating that His Majesty's Government consider that proposals of Russian Government must be regarded as covered by Anglo-Turkish declaration of 21st October.

[54510] No. 205.

Minute by Mr. Parker.

WHEN I saw Hakki Pasha yesterday he said to me "What about Adalia?" I replied that it was difficult for us to say anything definite on that subject till we knew what had taken place between Turkey and Italy; whereupon he said that he had made enquiries at Constantinople and had ascertained that no concession had been

given, merely a permission to investigate for a line. I asked him for what kind of a line, and he said "a railway line and a port at Adalia" and he added that the permission was restricted to a period of four years.

I said that a permission of this nature was usually held to entitle the persons who held it to some sort of prior claim to fulfil the object of the permission.

He then said that it was an impossible attitude for His Majesty's Government to take up that there should be no railway and no port at Adalia, and he thought that by so doing we should throw the local population into the hands of the Italians, who wished to confer upon them these benefits. I said I was not aware that His Majesty's Government had taken up any such attitude, but what they did maintain was that it would be a gross injustice for the Ottoman Government to allow the Smyrna–Aidin Railway Company to be short circuited and ruined by the granting of a concession for a port at Adalia to a foreign Company, with the right to make say short lines from Adalia northwards, and thon to connect with Buldur by motor car services. If such a concession was in effect desirable it was obviously the Smyrna–Aidin Company which would have the first claim to a refusal. Moreover I could not understand why Turkey should be so eager to establish Italy at Adalia: a port concession might conceivably, in her hands, become a fortified base.

Hakki Pasha then said that whatever happened there must be no Turco-Italian incident on the subject; if there was to be an incident about Adalia it must be an Anglo-Italian one. I said I did not see the necessity for any sort of incident: it was hardly conceivable that a Great Power would create an incident simply to filch away the rightful trade of an old-established British Company, and any port at Adalia in foreign hands would damage the Smyrna–Aidin Company, and would be utterly inconsistent with the prior obligations, in spirit and indeed almost in the letter, of the Ottoman Government towards that Company. We hereupon read the concession very carefully.

Hakki Pasha stated that he thought of recommending to the Ottoman Government a solution which he thought would meet the case: the Italians should be given concessions for every-

thing but railways in the Adalia region, and the concession for everything, including railways and telegraphs, in the Turkish island of Rhodes. I said that it would then be the Italian island of Rhodes; and he replied that the Italians no doubt thought that sooner or later Russia, without any protest on the part of His Majesty's Government, would annex the two easternmost provinces of Armenia, and Italy wanted to have a claim ready pegged out on her own behalf if such annexation should take place. That, he asserted, explained Italy's interest in the islands and in Adalia.

I said that without admitting the premiss about Russia and Armenia, I could hardly appreciate the attitude of His Highness, who, with the example of Italian action in Tripoli before his eyes, seemed to be intent on treating his country like a plum cake, and to be taking the lead in cutting it into slices, primarily for the benefit of a Power which had hardly had time to digest what she had so recently swallowed.

The conversation then turned to other matters, which I will explain in a separate minute.

When, as will shortly be the case, we put forward the desiderata of the Smyrna–Aidin Company, we can refer to the question of a port at Adalia in greater detail. It will be deplorable if the Smyrna–Aidin Company, owning the one British-controlled railway in Turkey, is ruined by the action of Italy.

A. P.

December 2, 1913.

[54801] No. 206.

Lord Inchcape to Mr. Parker.—(Received December 3.)

My dear Parker, 9, *Throgmorton Avenue, London, December* 2, 1913.

I ENCLOSE copy of a letter I am sending this evening to Hakki.

I hope it may have the desired effect.

Slaughter has suggested to the Lynch connection that Mr. John Lynch should be president of the company and that I should be chairman of the board, Lynch presiding at the annual general meetings. This will suit me quite well. All I want is to be in a position to see that the business is properly conducted, the steamers properly kept up, and the public properly served, also that the two concerns, Lynch's and the Ottoman Company, should work hand in hand, and together supply a regular and reputable service on the rivers.

Yours sincerely,
INCHCAPE.

Enclosure in No. 206.

Lord Inchcape to Hakki Pasha.

Your Highness, *December* 2, 1913.

I THINK it is well, before the meeting which is to take place to-morrow between your Highness, Sassoon Effendi, and myself and my solicitors, that I should set certain considerations very clearly before you.

I have, as your Highness must realise, devoted a great amount of valuable time and have been put to great expense by the prolonged delay which has taken place in the present negotiations, which show little sign of termination even now, although I had gone through each clause with your Highness many months ago, and concessions had been made on either side before we reached what we both regarded and initialled as an acceptable compromise.

A few weeks ago the Ottoman Government furnished your Highness with a catalogue of criticisms which would have had the effect of very materially altering the terms of the concession. Nevertheless, ten days ago, being desirous of meeting the wishes of the Imperial Ottoman Government as far as possible, I gave way on several important points, and we reached a compromise which your Highness thereupon telegraphed to Constantinople.

I understand, however, that you are now opposed to the signature of the concession until the statutes have been examined in detail. If this is so I am afraid no useful purpose will be served by continuing the negotiations, and I shall have to consider whether a communication to this effect should not be made to Sir E. Grey. It appears to me that the Ottoman Government fail to appreciate the fact that I am desirous of working the concession in a manner advantageous to them and to the general interests of the trade of the country, and of the local population.

In particular I regret I must definitely decline to accept any further modification of the wording of article 14. I regret also that I cannot make any further concessions in regard to custom duties on fuel.

I understand Sir E. Grey is most anxious that the concession should be signed this week. I am prepared to sign the concession as already agreed upon, except in minor matters of detail, but I cannot possibly continue negotiations if the past procedure continues to be followed of constantly going back upon what has already been settled, with the result that further concessions are demanded with the object apparently of whittling away any advantages previously agreed in return for concessions assented to by me.

I have already made concessions about the property of the municipalities of Bagdad and Zor, and have agreed to a suitable arrangement about Aga Djaffer.

I submit that I am fully entitled to express to your Highness, and to ask you to convey to Sassoon Effendi, the reasonable resentment I feel at the treatment I am receiving, and I would express the hope that after these prolonged negotiations a final settlement may be reached to-morrow on all points, failing which I feel sure you will appreciate that there is no course open to me other than to break off negotiations.

I am sending a copy of this letter to Sir E. Grey.

I am, &c.
INCHCAPE.

[54665] No. 207.

Messrs. Slaughter and May to Foreign Office.—(Received December 3.)

18, *Austin Friars, London,*
Sir, *December* 3, 1913.

WE have now received instructions to enable us to reply to your letter of the 15th ultimo.

As you are aware, the sudden death of Mr. H. F. B. Lynch since the receipt of that letter has been the cause of the delay in answering it.

We are now instructed to inform you that Mr. John F. Lynch has been elected chairman of the Euphrates and Tigris Company of which he has been a director for the last twenty years. He is a son of the late Mr. Stephen Lynch, a former chairman of the company. He has also been a member of the firm of Lynch Brothers for twenty-five years and equal partner for sixteen years in that firm with the late Mr. H. F. B. Lynch.

Subject to a working agreement being arranged between the new Ottoman Company and the British Company mentioned in Sir Edward Grey's proposals of the 19th May last, the Board of the British Company and Mr. John F. Lynch instruct us to say that, subject to the very slight qualification of condition No. 6 mentioned below, they will accept the conditions laid down in your letter now under reply which are as follows:—

1. "Assuming the capital of the new Ottoman Company allotted at the first allotment to be 100,000*l.*, one-half would be allotted to Turkish interests.

2. "Any German participation would have to be met altogether by the allotment of Turkish shares, and not independently of such shares.

3. "The remaining half would be British, and Lord Inchcape would offer to Mr. Lynch or his nominees participation to the extent of 20,000*l.* or 40 per cent. of this British capital.

4. "The sum of 5,000*l.* in cash will be paid by Lord Inchcape to Mr. Lynch, partly in consideration of the emoluments and management of the Belgian Company, and partly of proposal 4 in the list contained in the memorandum of the 19th May.

5. "The remaining 30,000*l.* of the British share, paid up in the same proportion as the 20,000*l.* referred to above, would be held by Lord Inchcape and his nominees.

6. "The foregoing arrangements will be conditional on the joint management firm having the management of the Belgian Company as well as that of the British Company and the proposed Ottoman Company, and the emoluments of management of all three companies. In this connection I am to express the hope that it may subsequently be found practicable to arrange for the acquisition by the new Ottoman Company of the undertaking of the Société de Transports fluviaux en Orient on equitable terms, but not in such manner as to modify the distribution of interests in the Ottoman Company.

"Lord Inchcape will also have the power of directing that the British directors of the proposed Ottoman Company shall, should he deem it advisable, vote in block. As regards the joint management company, it would be stipulated that he should in the unlikely event of disagreement have the right to a casting vote. His Lordship would, as Mr. Lynch is already aware, further expect to have a seat on the Board of the Euphrates and Tigris Company."

With regard to the condition that Lord Inchcape shall have the right of a casting vote on the Board of the Management Company, they do not see their way to accept this, although they would be prepared to agree that in the improbable event of disagreement any matter in dispute might be referred for decision to a referee who would be unofficial and independent of both companies, and that such referee should be named in the working agreement.

With regard to paragraph 4 above relating to the 5,000*l.* "partly in consideration of the emoluments and management of the Belgian Company, and partly of proposal 4 in the list contained in the memorandum of the 19th May," our clients desire to point out that that sum merely represents the loss sustained owing to the transference of the management of the Belgian Company, and that it would seem that no account has been taken of the expenses amounting to more than 3,000*l.* incurred by the Euphrates and Tigris Company in 1907-9 in connection with the negotiations at Constantinople for the concession which has now been granted to Lord Inchcape, but they do not wish to do more than call attention to the foregoing as a matter of fact and not in any contentious spirit.

We are also directed to inform you that with regard to the Belgian Company, the Board of the Euphrates and Tigris Company and Mr. John F. Lynch are agreed that the management of this concern shall be undertaken by the Joint Management Company, provided that such course is found agreeable to the Board of the Belgian Company, and our clients would use their best endeavours to bring this about.

With regard to the hope expressed in paragraph 6 of your letter now under reply "that it may subsequently be found practicable to arrange for the acquisition by the new Ottoman Company of the undertaking of the Société de Transports fluviaux on equitable terms, but not in such manner as to modify the distribution of interests in the Ottoman Company," we are instructed to say that the Board of the British Company have no objection to such procedure being adopted in the future if such acquisition can be so arranged.

With regard to offering Lord Inchcape a seat on the Board of the British Company we are instructed to inform you that the Board of that Company will be pleased to accept this proposal, especially in view of the fact that a seat was offered to the late

Mr. H. F. B. Lynch on the Board of the new Ottoman Company, and it is assumed that, in the view of paragraph 2 of Sir Edward Grey's proposals of the 19th May, 1913, this arrangement will be held to apply to his successor in the chair of the Board of the Euphrates and Tigris Steam Navigation Company.

Our clients ask us to state that in the event of an arrangement being arrived at on the lines above indicated they are prepared to give to His Majesty's Government the guarantees asked for in Sir Edward Grey's proposals of the 19th May, 1913.

In conclusion we are asked by our clients to express the hope that finality in the matter may now be reached and that no further contentions will arise.

We are, &c.
SLAUGHTER AND MAY.

[54852] No. 208.

Sir Edward Grey to Sir R. Rodd.

(No. 704.)

Sir, *Foreign Office, December 3, 1913.*

THE Italian Ambassador asked me to-day about a report in the "Daily Telegraph" that the British negotiations with Turkey had obtained, or would obtain, a monopoly of oil in Syria and a large district of Asia Minor; the regulation of the navigation from the Persian Gulf by a concession to a company of which 50 per cent. of the shares should be British, 25 per cent. German, and 25 per cent. French, and conditions that would secure the practical independence of the Sheikh of Koweit under Turkish suzerainty.

I said that I had not seen this report in the "Daily Telegraph," but, according to my recollection, oil concessions formed no part of the negotiations that we were carrying on with Turkey in connection with the increase of the customs dues. I did not recollect that we had made oil concessions any condition of our consent to such an increase. The Persian Gulf, the navigation, and the end of the Bagdad Railway did form the subject-matter of such negotiations; but, from what he told me, the "Daily Telegraph" did not seem to be accurately informed as to the details.

The Ambassador said that I had informed him some time ago that these matters, connected with the Persian Gulf, &c., were the subject of the negotiations with Turkey about the increase of customs dues, and he concluded from what I had said that he might inform his Government that the statement in the "Daily Telegraph" was not authentic.

I said that I could judge of the statement in the "Daily Telegraph" only from what he told me of it; but, judging from that, he might certainly say what he proposed.

I am, &c.
E. GREY.

[54890] No. 209.

Sir Edward Grey to Sir R. Rodd.

(No. 707.)

Sir, *Foreign Office, December 3, 1913.*

THE Italian Ambassador read out to me to-day the substance of a communication that the Turkish Government had made in Rome, objecting to employ foreign officers appointed by the Powers, on the ground that it would be inconsistent with Turkish sovereignty in Asia Minor. The Turkish Government proposed that it should employ the officers of minor Powers. The Ambassador expressed the opinion that there was some force in the Turkish objection. He was instructed to ascertain my views.

I said that I could not express views upon the Turkish communication, as it had not yet been received in this Office, or, if it had been received, had not yet reached me. I thought that it was a pity that, when Russia and Germany had agreed together on a scheme of reforms for Armenia, the Porte did not adopt the scheme or propose it to the Powers as its own.

I am, &c.
E. GREY.

[53426] No. 210.

Sir Edward Grey to M. Cambon.

Your Excellency, *Foreign Office, December 3, 1913.*

WITH reference to the unofficial communication respecting the Sultanate of Muscat which your Excellency was good enough to make on the 13th ultimo, I have the honour to state that His Majesty's Government still adhere to the Declaration of 1862, as the French Chargé d'Affaires was informed in my note of the 22nd September last.

As regards the recognition of the new Sultan of Muscat, it is the usual practice of His Majesty's Government to recognise the *de facto* ruler, and they accordingly authorised the Government of India to do so in the case of Sultan Seyyid Timur, especially as on the 17th October last His Majesty's Resident at Muscat reported to the Government of India that the French consul was only waiting for Major Knox to receive his instructions to himself to announce the official recognition of the French Government. For this reason it also appeared unnecessary for His Majesty's Government to make any communication to the French Government, as the local British and French authorities appeared to be acting in complete harmony.

I have, &c.

E. GREY.

[54684] No. 211.

Minute by Mr. Parker.

Euphrates and Tigris Navigation Concession.

A PROLONGED meeting took place at the Foreign Office to-day to discuss the alterations desired by Turkey in the draft concession, over and above those agreed to by Hakki Pasha and Lord Incheape ten days ago.

There were present Hakki Pasha and Sassoon Effendi, Lord Incheape and his two solicitors, Sir Henry Johnson and Mr. Hotblack, and myself.

Lord Incheape told me before the meeting that he was very much disgusted by the whole matter, that he could make more profit by bargaining in regard to a single ship to be built for the British India than he would out of this concession in a whole year, and that he had wasted so much time over the draft during the last six months that he had definitely decided to throw up the whole business if a settlement was not reached within ten days.

When the meeting began Hakki Pasha said that he had been much surprised by the receipt of a strongly-worded letter from Lord Incheape, and Sassoon Effendi said that the Turkish Government's one desire was to smooth away difficulties which would greatly embarrass Lord Incheape in the future. Lord Incheape retorted that there were four principal points in dispute,

and he could not see how the adoption of the Turkish contentions regarding them would smooth away difficulties for him. Those contentions were :—

1. That Lord Incheape should be deprived even of a reasonable assurance that, after having raised thousands of pounds for the navigation, the navigation should not be rendered impossible by irrigation works executed without any regard to the importance of maintaining navigation. In the absence of such an assurance nobody in England would invest a farthing in the enterprise.

2. Lord Incheape was to be deprived, almost entirely, of the benefit of customs exemption for fuel during the exclusive period of the concession; yet this arrangement was a compromise he had reached with Hakki Pasha in July, his Lordship's original demand having been for customs exemption in perpetuity, as regards fuel, or at all events for 99 years as in the case of the rest of the property of the Company. Now it was proposed that, even during the exclusive period of the concession, freedom from customs duties should not be accorded on fuel if the dividends on the ordinary share capital should reach 9 per cent.

3. Article 14 was to be modified in such a manner that Lord Incheape would be deprived of a large measure of control and placed at the mercy of the Ottoman Government in such a way that he could not be certain of working the concession as a commercial success.

4. The Ottoman Government wished the Company to convey the mails free of cost, and to debar the Company from carrying foreign mails, from which they might derive a large profit, at all.

As regards point 1, Lord Incheape absolutely refused to adopt any wording except a slight modification of that agreed to in the revise of the 29th November, 1913. After a good deal of discussion Hakki Pasha and Sassoon Effendi admitted that this attitude was reasonable, and I think they will recommend the adoption of the proposed wording at Constantinople. (See article 10.)

2. Sassoon Effendi urged that it was impossible to grant more favourable terms as regards customs exemption on fuel to the

Navigation Company than to the Bagdad Railway Company, as to do so would at once give rise to a claim for equal treatment from the railway company. I replied that it would be perfectly easy to decline such a demand from the railway company, as there was no analogy whatever between the two concerns. The Bagdad Railway was an upstart concession dating from 1903; the British rights of navigation dated from the reign of Queen Elizabeth, and it was owing to the action and support of British ships that Turkish power in Mesopotamia existed to-day; the vessels of the Indian Marine had repeatedly assisted the Pashas of Bagdad in suppressing disorder at their request, and British vessels had navigated on those rivers for centuries. In 1846 Sir Stratford Canning had made an arrangement with the Porte by which it was solemnly agreed that only certain restricted dues should be paid on British vessels, but the Turkish Government had in 1860 sought to restrict the privileges granted in 1846, and they had even imposed customs duty on the fuel imported by Messrs. Lynch, a most arbitrary and illegal proceeding. Still we were not now concerned with Messrs. Lynch; but as regards the new Company I must point out that the declaration of the 29th July, 1913, was a compromise between the British view of unrestricted British rights of navigation free of all but certain specified dues, and the Turkish view of restricted British rights of navigation which could only be exercised subject to the exaction of dues varying according to the exigencies of the moment. We had, in July and August, carefully gone over the ground with regard to dues and customs, and the concession initialled on the 12th August represented what both Hakki Pasha and His Majesty's Government considered a fair settlement. If, however, the navigation company was to be penalised by the exaction of customs dues merely to avoid requests for exemption from the Bagdad Railway Company it was clear that we had reached no acceptable compromise respecting the navigation question, and I felt confident that His Majesty's Government would not agree to the increase of the Turkish customs duties from 11 per cent. to 15 per cent. in the absence of such a compromise. Already criticisms were being made in the press in this country that His Majesty's Government had apparently been too

facile in agreeing to the customs increase, and our agreement could not be defended if this long-standing controversy of the river navigation were not settled.

Moreover, apart altogether from the historical aspect of the question, the Bagdad Railway Company had a guarantee, and this guarantee was, up to a point, a valuable asset: would the Ottoman Government give the Navigation Company a guarantee of 5 per cent. on the capital involved, making the guarantee a first charge on the proposed customs increase? If so, there might be closer analogy between the two enterprises. Hakki Pasha said that as soon as the gross receipts of the railway reached 4,500 francs per kilometre the exemption from customs on the railway would cease, and I retorted that unless the working expenses guarantee were modified the Railway Company would take good care that the gross receipts did not exceed 4,500 per kilometre.

Hakki Pasha and Sassoon Effendi said that the utmost they could do would be, while granting customs immunity on everything else for 99 years, to say that it should be granted for fuel until the Company paid 9 per cent. on its ordinary shares. Lord Inchcape said that if this was so the negotiations must be regarded as being at an end, and matters appeared to have reached a deadlock.

I thereupon asked him and his solicitors to come to another room, and I went back to Hakki Pasha and Sassoon Effendi and pointed out how serious it would be if negotiations broke down, as not only the navigation agreement, but the whole Anglo-Turkish settlement would be jeopardised. I asked him if we could not devise some compromise, and after a good deal of discussion he accepted the following arrangement, which I then took to Lord Inchcape and which he agreed to as a great concession:—

"The exemption from customs duties on all fuel of every description is granted for a period of twenty years from the date of the signature of these presents and at the expiration of such period the Company shall be exempt from all customs duties on fuel in any year in which the aggregate profits of the Company distributed as dividend since the date of its incorporation are not more than sufficient to have paid an average dividend of 9 per cent. per annum on the whole

"La franchise des droits de douane sur les combustibles est accordée pour une période de vingt ans à partir de la signature des présentes, et à l'expiration de ladite période la Société sera exempte de tout droit de douane sur les combustibles pour toute année où le bénéfice net de la Société (abstraction faite de tous frais, y compris ceux d'administration, de dépréciation, et les dividendes à payer sur les actions de priorité et les obligations) ne dépassera pas une somme qui aura suffi à payer un dividende moyen de 9 pour cent par an sur le montant des actions ordinaires pour toute année écoulée depuis la date de sa constitution.

of the ordinary capital of the Company in each year which has then elapsed since the date of its incorporation.

"But save as hereinbefore expressly provided to the contrary all the exemptions granted in this article are granted in perpetuity."

"Sous réserve des dispositions expressément contraires des présentes, toutes les franchises accordées par ce présent article sont accordées à perpétuité."

3. As regards article 14, it was agreed that the statutes of the new Company should be subject to the approval of the Ottoman Government and conform as far as possible to the model type of statutes for Ottoman joint-stock companies; but it was provided that the statutes should embody provisions consistent with all the stipulations of article 14, which, I understand, is exhaustive as regards matters of real importance.

Lord Inchcape only agreed to this on condition that the concession should be signed by Thursday, the 11th December, at latest, and that the Ottoman Government would not raise difficulties in regard to the statutes, of which a copy was given to Sassoon Effendi, and that the statutes should be approved before Christmas.

4. Lord Inchcape positively declined to convey the Ottoman mails free of cost; he said it meant putting at least 8,000*l.* a year from the pockets of the Company into those of the Ottoman Government, and it would be quite impracticable to supply a cabin gratis on every steamer. Hakki Pasha and Sassoon Effendi were very bitter about this and said it would create a most unfavourable impression at Constantinople. Lord Inchcape said he had made such a valuable concession with regard to customs duties for 40 out of 60 years that he could make no further concession. As it was, Sassoon Effendi would return to Constantinople with not less that 200,000*l.* of customs dues, and he could not have 8,000*l.* a year for mails as well. I rather think, however, that Lord Inchcape may agree to convey up to one ton a month of mail matter at a reduction of 50 per cent. on the ordinary cargo rates if everything else goes through without a hitch, including the statutes.

As to the right to convey foreign mails, it was agreed that it should be stipulated in the concession that such conveyance should not take place without the assent of the Ottoman Government, but that Hakki Pasha should address a note to Sir E. Grey saying that the Ottoman Government would agree to the British mails being conveyed on Lord Inchcape's steamers if His Majesty's Government so desired. This note would not be published.

The interview, which had lasted nearly five hours, then terminated; and it is agreed that Hakki Pasha, Sassoon Effendi, Sir H. Johnson, Mr. Hohblach and I are to meet again at noon to-morrow in order to settle the drafting, and that Sassoon Effendi will leave for Constantinople on Saturday with Hakki Pasha's report and strong recommendation to the Ottoman Government to accept the draft concession as it stands. He will request telegraphic instructions.

I really think we have now impressed both Hakki Pasha and Sassoon Effendi with the seriousness of the position; but I think a copy of this minute should be sent by post to Sir L. Mallet with the amended concession and that he should be asked to exercise pressure at Constantinople with a view to a signature next week. I am positive that Lord Inchcape will throw up the whole thing if the concession is not signed without delay, and I had the greatest difficulty in preventing him from breaking off negotiations to-day.

A. P.

December 3, 1913.

[54697] No. 212.

Mr. O'Beirne to Sir Edward Grey.—(Received December 4.)

(No. 369.)

Sir, *St. Petersburgh, December* 1, 1913.

WITH reference to my despatch No. 336 of the 5th November, I have the honour to transmit to you herewith copy of the reply of the Russian Government to the *aide-mémoire* which I addressed to them on the 23rd October (5th November) regarding the Commission for the Navigation of the Shatt-el-Arab.

I have, &c.

HUGH O'BEIRNE.

Enclosure in No. 212.

Memorandum by Russian Government.

AYANT pris connaissance de l'aide-mémoire de l'Ambassade britannique du 23 octobre (5 november), année courante, le Gouvernement Impérial n'a pas manqué de soumettre à un nouvel examen la question de concéder à la Commission de Navigation sur le Chatt-el-Arab des droits exceptionnels en matière de police et de juridiction à l'égard de ceux qui commettraient des infractions à son règlement, conformément aux articles 7 et 8 du projet de convention à ce sujet entre la Grande-Bretagne et la Turquie.

Le Gouvernement Impérial ne peut s'empêcher de faire observer que le projet de stipulations complémentaires à ladite convention mentionné dans l'aide-mémoire précité se trouverait être en contradiction avec le texte des deux articles en question.

Conformément aux droits de Capitulations existant en Turquie, ainsi qu'à l'usage établi, tous les impôts et droits ne sauraient être obligatoires pour les sujets russes que s'ils sont sanctionnés par l'Ambassade Impériale à Constantinople. Ensuite, quoique les autorités municipales turques se mettent en relations directes avec les sujets russes en vue d'éviter les complications et les retards inutiles, elles n'ont néanmoins pas le droit de leur infliger des peines ou des amendes à l'insu des consulats, ni de mettre à exécution leurs décisions autrement que par l'intermédiaire de ces derniers ; un sujet russe ne saurait aussi être mis aux arrêts autre part que dans le consulat.

Vu cet ordre de choses, les droits qui seraient reconnus à la Commission en vertu des articles 7 et 8 de la convention se trouveraient être de fait sans objet. D'autre part, le Gouvernement Impérial ne saurait consentir à renoncer aux privilèges mentionnés plus haut dont jouissent ses ressortissants en Turquie.

Voulant tout de même aller au-devant des désirs du Gouvernement britannique, le Gouvernement Impérial est prêt à proposer, de son côté, le compromis suivant :

Considérant que des fonctionnaires anglais participeront à la Commission, celle-ci pourrait être investie du droit d'examiner les affaires dans lesquelles les accusés appartiendraient à la sujétion russe et d'infliger des amendes à ces derniers, pour ainsi dire, par délégation, mais seulement en présence du drogman du consulat de Russie. La perception des amendes sur les sujets russes et la mise à exécution des ordonnances de la Commission à leur égard ainsi que leur détention préventive ne pourront avoir lieu que dans le consulat. En même temps, le consul doit avoir le droit de prendre connaissance des affaires et de se mettre en rapports avec la Commission préalablement au jugement de l'affaire par le tribunal de la Commission.

En prenant acte de ce que le montant des droits de navigation sur le Chatt-el-Arab sera calculé dans le but exclusif de couvrir les frais effectifs de la Commission, le Gouvernement Impérial considère, néanmoins, indispensable de reconnaître aux consuls de Russie le droit de demander des explications à la Commission au sujet du montant de ces droits, ainsi que sur la question de savoir à quel point telle ou autre dépense faite par la Commission se trouvait être effectivement nécessaire.

En outre, le Gouvernement Impérial trouve indispensable que le consul de Russie continue de jouir du droit d'arrêter en cas de nécessité tout sujet russe et de maintenir l'ordre tant sur les vaisseaux russes sur le Chatt-el-Arab que sur le territoire riverain de la Commission, qui sera obligée, pour sa part, de lui prêter aide et assistance en tant que cela dépendra d'elle.

Le Gouvernement Impérial se flatte de l'espoir que le Gouvernement britannique voudra bien reconnaître le bien-fondé de ces desiderata et introduire des changements respectifs dans le texte du projet de sa convention avec la Turquie. De son côté, le Gouvernement Impérial se déclare prêt à reconnaître à ces conditions le droit de la Commission de percevoir sur les vaisseaux russes les taxes réglementaires ; il est prêt aussi à charger ses consuls de veiller à ce que ses vaisseaux ne se soustraient pas au payement de ces taxes.

Saint-Pétersbourg, le 17 (30) *novembre*, 1913.

[54785] No. 213.

Mr. Cooke (Ottoman Railway from Smyrna to Aidin) to Mr. Parker.—(Received December 4.)

Winchester House, Old Broad Street, London,
December 3, 1913.

Dear Mr. Alwyn Parker,

IN reply to yours of the 29th November I can only say that there is nothing in the granting of the whole of the very moderate concessions for which we are asking which would induce the council to agree to a change of their nationality and domicile as an equivalent.

With regard to the financial objections: Three-quarters of the capital of this company have been raised by debentures at a very moderate rate of interest almost entirely from English capitalists on the faith of our English status and management. There are trustees for the debenture holders and the debentures have to be repaid at par in 1935 (the end of our concession until recently). It follows that at or before 1935 the council will have to undertake the difficult task of renewing or obtaining 75 per cent. of their entire capital subscribed on reasonable terms. If we had to undertake

this operation now we should have to pay from 1 to 1½ per cent. more interest, the effect of which would be to sweep away the whole of the dividend on the ordinary shares.

Clearly we must do nothing which would hamper or make more expensive this operation. We rely in large measure on inducing our present holders to renew. These holders have been attracted by our English status and the past history of the company. They are of the class who hold consols and Colonial Government securities and South American debentures in railways with an English domicile. It must not be forgotten that a sum larger than the English National Debt is embarked in foreign railways throughout the world with an English domicile, all of which may be affected if the Ottoman Government can upset this principle in the case of an old-established company.

You refer to the proposed raising of capital for a navigation project in Mesopotamia with Turkish domicile, and anticipate Hakki Pasha will ask why it cannot be done equally for a Turkish railway.

I venture to put forward a few reasons: A new scheme with great speculative possibilities has always an attraction for a somewhat speculative or adventurous class of investors who are not accustomed to take much account of nationality, domicile, &c. Moreover, there are probably very powerful interests supporting this enterprise, including construction contractors, &c., but unless the prospectus can show a very attractive prospect of high interest the public will not subscribe. Certainly the promoters will not in any case get much support from the class who holds our debentures.

I have shown above that if we offered even moderately high interest as an inducement to accept change of nationality it would be ruinous to our shareholders, as the higher interest falls with exactly threefold force on the margin left for them.

Now as to the legal objections: Obviously until we have paid off the debentures held under the present trust we cannot without their consent alter our status. But I understand the proposal is to do so after 1950. In that case we should have to issue debentures in 1935—English till 1950 and then Turkish from that date. This is not a prospect that commends itself to the council. But keeping to the legal difficulty. At present our debenture holders are entitled to a prior charge as an English domiciled railway company in Turkey until they are paid off either by the company or the Turkish Government. Unless the Turkish Government agree that they would pay off all debentures before the alteration came into force clearly, for what the point is worth, we should be tampering with the bondholders security. Probably they could get an injunction to restrain us in our Courts.

You will not, I know, expect me to deal exhaustively with all the legal difficulties which might arise in a complicated position; especially as my council are opposed to putting themselves in that position.

With regard to navigation of Lake Egherdir. We have constructed a railway there with the express object of opening up the country on the further side. The lake is some 30 miles long and in a country with few and very difficult roads; 30 miles easy and cheap water-carriage is an obvious advantage. On the further side within easy cartage or porterage distance of the lake are considerable fertile regions. As these purely agricultural districts are over 300 miles from the coast very cheap transport is a question of life and death to profitable cultivation. The interests of the Ottoman Government, of the inhabitants and of our railway are all on the same side, but the two former have much the greater benefit to expect.

It seems the less necessary to labour the point as to the reasonableness of this navigation, because we are informed both in Constantinople there is no objection to this navigation; and also Hakki Pasha in his memorandum (clause 4) seems to take the same line.

With regard to general arguments in favour of our position for extensions: We are a trunk railway in Asia Minor, nearly 300 miles long. The comparatively small areas and valleys in our near neighbourhood sufficiently fertile to justify a short branch can only be opened up by ourselves. It is only as feeders to a main line that they are financially justifiable at all. No railway can stand still with advantage; but the council are entering upon them without any enthusiasm at all, from the financial standpoint.

Some two or three years ago one of our directors at an interview with the then Minister of Public Works in Constantinople was urged to apply for extensions, and reproached very vigorously for our alleged lack of enterprise in applying for branches, &c., and he was told that the new order in Turkey took a very different view of extensions to the old. It is easy to understand that view, and it is difficult to believe

that it is not still the view entertained. It is, however, not a convenient view from the Turkish standpoint to urge in the present negotiations.

It is obvious that the Anatolian Railway can have no ground for opposition. We hear on all sides that other European nations, *e.g.*, France, and Italy are successfully availing themselves of the present opportunity to obtain from the Ottoman Government many valuable concessions, and we trust that the very moderate request which we, the largest remaining British interest in the Ottoman Empire, are making will not be the only petitioners refused by the Ottoman Government in consequence of the veto of the Anatolian Railway in a matter in which they have no exclusive claim to interfere or upon any other ground.

Yours very truly,
THOS. H. COOKE.

P.S.—I am sending you, by Lord Rathmore's direction, copies of letters addressed by the company to the Foreign Office and to the Grand Vizier, dated the 24th November, 1909, and 28th January and 20th June, 1910, on the subject of claims upon the company's land at Smyrna, and on this question Lord Rathmore begs that you will not take any action with Hakki Pasha until he has had the pleasure of speaking to you again.

T. H. C.

P.P.S.—I also enclose two copies of a map showing the end of the company's line at Eghirdir, also the proposed extension to Beyshehir as well as the Anatolian and Cassaba Railways. I further enclose extract of a letter from Lord Rathmore to Mr. Maxwell, dated the 23rd May last.

T. H. C.

Enclosure 1 in No. 213

Ottoman Railway from Smyrna to Aidin to Hussein Hilmi Pasha, Grand Vizier.

Your Highness, *Smyrna, November* 24, 1909.

IN accordance with instructions received from the Board of Administration of this Company I respectfully beg to submit the following to the attention of your Highness:

According to the terms of the original convention relating to the construction of this railway, the Imperial Government undertook to expropriate all the necessary lands and to grant the Crown lands gratis as well as to appoint a commission in order to assure the execution of these engagements.

This commission was formed and received precise and detailed instructions in regard to its procedure, dated the 19th Sefer, 1274, and bearing the seal of the legislative section (Medjlissi Tanzimat) of the Council of State. These instructions state *inter alia* that a copy of the plans of the lands requisitioned for the railway had been handed to the commission and that the Mudir of the Monadj-jelate would be a member of the former, which would also include an official of the Courts.

The document states that it is not necessary to supply the company with separate titles for the lands expropriated, but that the Imperial Government would secure "seneds" from the owners and would supply the company with one "sened" for the whole. It also states that in the valuation of the lands no increase in the price resulting from the projected construction of the railway must be taken into consideration.

This order of the Council of Tanzimat has the force of law and, under the protection furnished by same, the company which I represent has expended large sums of money for works constructed on the lands acquired in conformity with the provisions thereof.

Amongst these lands are certain "vakouf" pieces at "La Pointe," Smyrna, of which the company held peaceful possession until the month of May 1882, when a claim was addressed to the Civil Court of Smyrna by Saadi Bey and others, with the object of making good proprietary rights which these latter claimed to have over same.

I regret to have to say that during the course of the examination of this question there has been an improper departure from the legal procedure of the Courts to the detriment of this company, and the result of this is that our adversaries have unjustly been admitted to be the owners of the lands which they claim.

I have been charged by my Board of Administration to declare that if the original settlement of this question indicated above and accepted for the course of almost half a century is now reversed, and it is decreed that we must abandon the lands or pay a

sum to other parties for the increase in their value, which has resulted from our expenditure and efforts, there will have been created a situation so repugnant to simple honesty and to common sense, that neither this company nor other foreign capitalists could have in the future the least confidence in the goodwill or the capacity of the Turkish Courts to render them justice.

In making this formal protest I take the liberty of adding that the Board of Administration of this railway is convinced that this attempt to rob the company has only to be brought to the knowledge of your Highness, and that measures will immediately be taken by the Imperial Government with a view to safeguarding effectively the interests and properties of the company.

Meanwhile, I remain, &c.

H. BARFIELD, *General Director.*

Enclosure 2 in No. 213.

Lord Rathmore to Hakki Bey, Grand Vizier.

Highness, *January* 28, 1910.

I DESIRE, as president of this railway and on behalf of my council, most respectfully to approach your Highness and to invoke your Highness's intervention for the speedy disposal of a claim made against this company by Saadi Bey and others, which is a direct attack upon its titles to the land at Smyrna granted to this company by the Government of His Imperial Majesty the Sultan more than fifty years ago, and of which we have ever since been in possession under His Imperial Majesty's protection.

We are satisfied that the claim thus made against us has no foundation whatever in fact or in equity; but so long as it is impending over us it constitutes a threat against this company's right to the enjoyment of its property, and must seriously hamper us in making the financial arrangements which are from time to time necessary for the proper conduct and development of our undertaking, and which are at the present urgently required by us for such purposes. Under these circumstances, we feel confident that we can fully rely upon your Highness's favourable consideration of this appeal for your Highness's assistance.

In a letter dated the 24th November, 1909, the general manager of this railway at Smyrna, Mr. Herbert Barfield, had the honour, acting on the instructions of our council, of addressing his Highness the then Grand Vizier on this subject, and I beg to be permitted to quote to your Highness from that letter the following passages:—

"According to the terms of the original convention relating to the construction of this railway, the Imperial Government undertook to expropriate all the necessary lands and to grant the Crown lands gratis, as well as to appoint a commission in order to assure the execution of these engagements.

"This commission was formed and received precise and detailed instructions in regard to its procedure, dated the 19th Sefer, 1274, and bearing the seal of the legislative section (Medjlissi Tanzimat) of the Council of State. These instructions state *inter alia* that a copy of the plans of the land requisitioned for the railway had been handed to the commission and that the Mudir of the 'Monadj-jelate' would be a member of the former, which would also include an official of the Courts.

"The document states that it is not necessary to supply the company with separate titles for the lands expropriated, but that the Imperial Government would secure separate 'seneds' from the owners and would supply the company with one 'sened' for the whole. It also states that in the valuation of the lands no increase in the price resulting from the projected construction of the railway must be taken into consideration.

"This order of the Council of Tanzimat has the force of law and, under the protection furnished by same, the company which I represent has expended large sums of money for works constructed on the lands acquired in conformity with the provisions thereof.

"Amongst these lands there are certain 'vakouf' pieces at 'La Pointe,' Smyrna, of which the company held peaceful possession until the month of May 1882, when a claim was addressed to the Civil Court of Smyrna by Saadi Bey and others, with the object of making good proprietary rights which these latter claimed to have over same.

"I regret to have to say that during the course of the examination of this question there has been an improper departure from the legal procedure of the Courts

to the detriment of this company, and the result of this is that our adversaries have unjustly been admitted to be the owners of the lands which they claim.

"I have been charged by my Board of Administration to declare that if the original settlement of this question indicated above and accepted for the course of almost half a century is now reversed, and if it is decreed that we must abandon the lands or pay a sum to other parties for the increase in their value which has resulted from our expenditure and efforts, there will have been created a situation so repugnant to simple honesty and common sense, that neither this company nor other foreign capitalists could have in the future the least confidence in the goodwill or the capacity of the Turkish Courts to render them justice.

"In making this formal protest I take the liberty of adding that the Board of Administration of this railway is convinced that this attempt to rob the company has only to be brought to the knowledge of your Highness and that measures will immediately be taken by the Imperial Government with a view to safeguarding effectively the interests and properties of the company."

I venture in support of my present application, further to submit to your Highness that the injustice of Saadi Bey's claim against this company becomes more clear and astonishing when it is borne in mind that:—

1. Whereas, that claim appears to be founded upon the results of the successful legal action brought in 1864 by Ismail Hakki (said to be the predecessor in title of Saadi Bey) not against this company, but against the heirs of Nishan, the lands recovered in that action are not the lands or any part of the lands then and now in the occupation of this company, but were (as stated in the evidence adduced in course of that action), parcels of land provided by the Government of His Majesty the Sultan in exchange for property expropriated in pursuance of the undertaking contained in the above-mentioned convention that the Government would convey to this company the lands required for its purpose gratis and would compensate the owners by giving other lands in exchange or by repayment of the Mouadj-jelate. My council has no doubt that the above mentioned exchanges of land were in every way rightly and properly effected by the Government of His Majesty the Sultan, but it is obvious that in the arrangement and carrying out of such exchanges by the Government this company could not take any part or become in any way justly responsible for the same, and we feel confident that we can now rely upon your Highness's vigorous protection of this company in the undisturbed possession of the property so secured to it for the term of its convention.

2. This company was not made a party to the proceedings in the above-mentioned action by Ismail Hakki against Nishan's heirs, as it surely would have been if the title to any part of the lands then and ever since in the possession of this company had been called in question in those proceedings.

3. That at the time (1864) when the said action was brought by Ismail Hakki against Nishan's heirs, this company had been for four years in possession of the lands they now hold; but it was not until eighteen years after the said action had been decided in favour of Ismail Hakki that (whatever doubt or confusion may have arisen as to the ownership by others of adjacent property) any suggestion was made that the decision in that case affected this company's title to lands adjudicated to it by the above-mentioned commission and of which it had then enjoyed the possession for twenty-two years under the protection of its convention with His Majesty the Sultan.

4. That in a joint valuation made by the Government of His Majesty the Sultan (in 1860) by two experienced valuers the total sea or marsh lands taken by the company (the whole or part of which are alone in question) were valued at £T. 150, and by the Government commission at £T. 250 for the whole (1,000 piastres per donoum for 1,600 pics).

5. That this company has, in pursuance of a final arrangement come to with the Government of His Imperial Majesty and the Vakouf in 1860, paid to the Vakouf for these lands moneys amounting to some 5,000*l.* as rent, and have in addition expended large sums on their reclamation from the marsh and from the sea.

In face of these facts my council is quite unable to understand on what pretext it was that the claims made in 1882 by Saadi Bey and others against this company were in any way admitted.

Nevertheless, further legal proceedings have lately been pressed against this company for the enforcement of those claims, and it has therefore become necessary

for this company to appeal to your Highness in this difficulty for the protection of the Government of His Imperial Majesty.

In conclusion, I would venture with the utmost deference and respect to inform your Highness that such relief becomes every day more urgently necessary, as this company must in the near future either (with whatever great regret) suspend the work upon the extension of the line to Egherdir and discharge some 1,500 men now employed upon that undertaking, or (in order to provide for the outlay upon its further construction) attempt to raise additional capital—an attempt in which they feel they will be gravely embarrassed so long as they are menaced by this monstrous and indefinite claim, this company having no kilometric guarantee, but only its own solvency and an unquestioned title to its property, to offer to the public as security for their subscriptions to a loan.

I have, &c.
RATHMORE, *President of the Council of Administration.*

Enclosure 3 in No. 213.

Mr. Cooke to Sir Edward Grey.

Winchester House, Old Broad Street, London, June 20, 1910.

Sir,

ACTING on the instructions of my council of administration, I have the honour most respectfully to ask for your consideration of circumstances which, owing to grave miscarriages of justice in the Turkish Courts, now threaten this company with a serious wrong and heavy financial loss. These circumstances are connected with a claim made by Saadi Bey and others for the possession of lands which were granted to this company by His Imperial Majesty the Sultan more than fifty years ago, which it has ever since occupied and which now form an important part of its terminal station at Smyrna.

According to the terms of our original concession the Imperial Government undertook to expropriate all the necessary lands and to grant to us Crown lands gratis, and a commission was duly appointed in order to assure the execution of these engagements, with precise instructions, *inter alia*, that in fixing the purchase money of the property required by this company no increase in price resulting from the projected construction of the railway should be taken into account. The value of the whole of the sea and marsh lands thus acquired by the company (including the parcels now claimed by Saadi Bey and others) was officially estimated in 1860 at 150*l.* to 250*l.*, and a final arrangement was made with the Turkish Government at that time under which this company has since paid an annual rent for the same to the Vakouf of 100*l.*, amounting at present to a total of some 5,000*l.* Notwithstanding these facts the claimants now demand (as an alternative for the recession to them of these lands) payment by us of their present market value, together with other large sums.

The company had held peaceful possession of this property from 1860 to 1882, and had spent a large amount in reclaiming it from the marsh and the sea, when in the latter year a claim was addressed to the Civil Court at Smyrna by Saadi Bey and others with a view of establishing rights which they asserted over the lands in question. In the course of the examination of the case, judgment by default was, in the absence of the company's advocate, given against this company. To that judgment this company entered an "act of opposition," requesting a revision of the proceedings, to which revision it was legally entitled; but the judge did not summon the claimants to reply. After a considerable interval, Count Ostrorog (now Councillor of the Ministry of Justice at Constantinople), came to Smyrna as advocate for Saadi Bey, and demanded enforcement of the judgment against this company. We are informed that at first the Sheikh-ul-Islam at Constantinople, as well as the local Court at Smyrna, was favourable to granting a revision of the case, but that, after certain influences had been brought to bear, a contrary decision was arrived at, and instructions were sent from Constantinople to the religious judge at Smyrna that our "act of opposition" was not to be entertained, and that the decree against us should be executed. This decision, the company is advised, is in direct contradiction to the clear provisions of the Turkish law.

This company appealed to the Grand Vizier for his intervention on our behalf, first in a letter dated the 24th November, 1909, signed by Mr. Barfield, our general manager at Smyrna, and secondly in a letter dated the 26th January, 1910, and signed by Lord Rathmore, our president (copies of each of which I have the honour to enclose

herewith). In these letters it was represented to his Highness the Grand Vizier that if the original settlement of this company's title to its lands, arrived at half a century ago, were reversed, and it were now decreed that we must abandon the lands or pay a sum to other parties for the increase in their value which has resulted from our expenditure and efforts, a situation would have been created so repugnant to simple honesty and common sense that neither this company nor other foreign capitalists could retain any confidence in the goodwill or the capacity of the Turkish Courts of Law to render them justice.

It was added that the council of this company were convinced that, having thus brought the case to the knowledge of his Highness, measures would immediately be taken by the Imperial Government to safeguard effectively the interests and property of this company. To neither of these letters has any answer been received, while further steps have been taken on behalf of our opponents in the Court at Smyrna.

My council feel additional difficulty in making any further efforts on their own part to obtain redress by reason of the influential positions held by some of those who are opposed to this company, for not only did Saadi Bey occupy an important post in the Ministry of Public Works, but his present advocate is one of the deputies sent from Smyrna to the Turkish Parliament, and Count Ostrorog was for years legal adviser to Saadi Bey, who (as he states in a letter written by him on the 22nd October, 1907, to our general manager), was under contract bound to pay to Count Ostrorog 17 per cent. on any amount recovered by the litigation.

In these circumstances my council feels itself justified in earnestly appealing to His Majesty's Government to give to this case its immediate consideration with a view to taking action—in such manner as may seem to it best—for the protection of this company, practically the whole of whose property is held by His Majesty's subjects.

I have, &c.

THOS. H. COOKE,
London Manager and Secretary.

Enclosure 4 in No. 213.

Extract of Letter from Lord Rathmore to Mr. Maxwell (Foreign Office), dated May 23, 1913.

BUT it is as regards the navigation of the lake especially that I now write to you to pray for the strenuous assistance of our Foreign Office to secure for us the right of navigating Lake Egherdir, which cannot reasonably, as seems to me, be longer refused to my company, for, whatever may be said as to the further extension of the territory about Beyshehir, it cannot be denied that the extension to Lake Egherdir was granted to us for the obvious purpose of our serving the country which lies around that lake. We have been at great expense—considerably greater than was anticipated when we undertook the enterprise in carrying our line into those districts—but now that we have reached our terminus (at Egherdir) we are seriously hampered in our efforts to obtain traffic and to serve the interest of that remote part of the country by our not being able to put proper boats upon the lake (Egherdir). The right to do so was included in our original application to the Turkish Government, but was struck out, as we understand, in deference to German opposition, and even if the present time is not, as Sir Gerard Lowther seems to think, a favourable moment to press for the whole of the further concession which we are now seeking (*i.e.*, a railway to Beyshehir) it would be of greatest importance to our company to succeed in at once obtaining that part of our present application which asks for the right to navigate Lake Egherdir. I beg you therefore to obtain for us the energetic interference of our Ambassador at Constantinople for the purpose of securing this small and most reasonable benefit for our company, which is really the most important British enterprise now remaining in Turkey.

May I take this opportunity of asking you to call Sir Gerard Lowther's attention (with a view to safeguarding, if necessary, our property at Smyrna) to the action which has recently been taken by the Ministry of Vakouls of Constantinople, which makes the astounding demand upon us that we should proceed to take up the rails and pull down the buildings of our terminal station at Smyrna with a view of handing over the lands on which these works are now situated to the Evkaf, which claims the right to them as representing some member of the family of Saadi Bey, against whose unjust claims to the possession of some portions of these same premises I have before now had to request the protection of our Government.

[54729]

No. 214.

Mr. Ashley to Mr. Parker.—(Received December 4.)

My dear Parker, *Board of Trade, December 3, 1913.*

THE accompanying copies of Board of Trade minutes and letters cover all that has happened, so far as action by this Department is concerned, in connection with the Mesopotamian oil question from our first discussion with Herr Stauss until to-day.

Yours very sincerely,
PERCY ASHLEY.

Enclosure 1 in No. 214.

Minute by Sir H. Llewellyn Smith.

I HAD to-day an informal conversation with Herr Stauss, who represents the Deutsche Bank, on the subject of a possible arrangement between the D'Arcy group, the Deutsche Bank, and the Anglo-Saxon Company for the operation of a proposed concession for oil in the vilayets of Bagdad and Mosul. Herr Stauss sees objections to conceding 51 per cent. of the capital of the new company to the D'Arcy group, but he would support a proposal that the D'Arcy group should have 50 per cent., the Deutsche Bank 25 per cent., and the Anglo-Saxon Company 25 per cent. The first chairman of the company would be nominated by the D'Arcy group, and Herr Stauss is personally of opinion that the position of chairman would always be held by a representative of the same group, as representing the largest interest, unless there should be special reasons to the contrary at any time.

He would further agree that the British Government should have an option on fuel oil produced by the new company up to (say) 40 per cent. of the output, and I said I thought there would be no objection to a similar arrangement being made by the German Government. Herr Stauss would also agree that a fair proportion, say 50 per cent., of such of the higher employés of the company as are not Ottoman subjects should be nominated by the Anglo-Persian Company and should be British subjects, if competent British candidates were forthcoming.

I explained to Herr Stauss the apprehensions entertained by the Anglo-Persian Oil Company, who represent the D'Arcy group, that the new company might use its position to undersell the Anglo-Persian Company in its own markets, and thus drive it into submission or amalgamation. Herr Stauss thought that such fears would be groundless in the event of the D'Arcy group having 50 per cent. of the control, especially as the Deutsche Bank would certainly not support any policy of the kind. It was agreed that Herr Stauss should speak to Mr. Deterding, and that we (the Board of Trade) should communicate with the representatives of the D'Arcy group, so that direct communications might be opened up between the three groups on Herr Stauss' return from Berlin in about a week's time.

H. Ll. S.

November 14, 1913.

Enclosure 2 in No. 214.

Herr Stauss to Mr. Ashley.

(Confidential.)

Dear Mr. Ashley, 8, *Behrenstrasse, Berlin, November 20, 1913.*

I BEG to thank you for your favour of the 15th November, handing me over note of the conversation of the 14th November. I think the main conclusions reached in the course of our conversation are correctly represented in the note, and I would only like to make the following explanatory remarks:—

Chairman of the Company.—I declared that we would have no objection to give for the election of the first chairman our vote to the representative of the D'Arcy group, and to continue doing so from year to year as long as we thought that the business of the company was conducted on satisfactory lines. We understood that it was the

intention of all parties to achieve a steady development of the Mesopotamian oil-fields, and to dispose of the products at reasonable prices.

Option for British and German Navy on Fuel Oil.—In this point there seems to me to be a slight misunderstanding, inasmuch as I understood we were speaking of the export of fuel oil. Of the total output, a high percentage, which might be as much as 10 per cent., might be used for the works of the company (wells, refinery), and it might be possible to sell a certain amount of the fuel oil in Turkey. But also as regards the export, I thought the company should be free to sell a certain amount to other customers without offering it first to the navies of both our countries. But I would see no objection to reserve a preferential right for 40 per cent. of the export fuel oil to each of both navies if the conditions for exercising such right be worded so that the business of the company would not be hampered; I explained that I would think it a reasonable arrangement to give the navies in each case for twenty-four hours the first refusal.

Nationality of Higher Employés.—In this respect, as I explained, we would ask that a fair proportion should be German subjects, if candidates were forthcoming on reasonable terms.

I have discussed meanwhile the whole question with M. von Gwinner, who told me that he agrees to my views. I had, further, the opportunity to discuss before my departure from London the situation with Mr. Deterding, who said that he would think the matter over up to my return to London.

I beg to mention that I will leave here on Saturday evening, and stay the greater part of next week in London, Savoy Hotel.

Believe me, &c.
STAUSS
(By order, V. J. McCarthy).

Enclosure 3 in No. 214.

Minute by Mr. Ashley.

MR. H. W. A. DETERDING came to the Board of Trade this morning, and had an interview with Sir H. Llewellyn Smith on the subject of the Mesopotamian oil concession.

He said that he had always been anxious for a settlement of this question which should be satisfactory to British interests, but he thought the scheme outlined in the memorandum communicated to Herr Stauss on the 15th instant (after the latter's interview with Sir H. Llewellyn Smith) would better the German position quite unnecessarily. The Germans had in the Turkish Petroleum Company only a 25 per cent. interest; it had been made clear to them that they could have no more; the scheme now proposed would give them a better position (Mr. Deterding apparently meant that the Germans would have one-half, instead of one-quarter, in anything the Turkish Petroleum Company might acquire outside the Bagdad and Mosul vilayets). The scheme would also give the German Government a claim in respect of fuel oil, which it had not, and could not have obtained, under the Turkish Petroleum Company's arrangements.

Sir H. Ll. Smith pointed out that we had to regard this matter not as an isolated transaction, but as part of a general settling up of questions in Mesopotamia. Mr. Deterding then said that he thought it very unfortunate from every point of view that the National Bank group were going out, and urged that an effort should be made to retain them. Sir H. Ll. Smith replied that we understood the decision of the bank to be final, but Mr. Deterding said the decision was due to the feeling that they were distrusted by His Majesty's Government, and that the Bank would be quite willing to remain in the combination if assured that His Majesty's Government is not antagonistic to them.

Mr. Deterding said further that he and his group, the Anglo-Saxon Company, were ready to meet the wishes of His Majesty's Government in every way as to safeguarding British interests, and that he had made definite suggestions to Sir F. Black for that purpose. He thought the Admiralty greatly exaggerated the importance of the Mesopotamian field as a source of fuel oil; it must be several

years before there would be a considerable output of any oil; that the maximum output of fuel oil, even if all went well, in ten years' time would not be more than 300,000 tons, most of which would be wanted for local consumption; and that the geographical position is very inconvenient. For this reason he thought the requirement of a British proportion of the staff unnecessary, as it is also impracticable, skilled oilmen have to be taken wherever they can be found.

Mr. Deterding expressed readiness to take part in any round-table conference between the parties, but asked that he might know first what is meant by "British interests."—are they the interests of His Majesty's Government or of the Anglo-Persian Company? If the former, he remained of opinion that they were being in a measure sacrificed; if the latter, he did not see why one British group should be supported against another. He went at some length into the history of the formation of the Turkish Petroleum Company, asserting that the inducement held out to the Deutsche Bank and the Anglo-Saxon Company by Sir H. Babington Smith, was that the latter had the support of His Majesty's Government, without which the concession could not be obtained. Sir H. Ll. Smith explained that, without entering into the merits or demerits of the various claims, the fact remained that His Majesty's Government were pledged to the D'Arcy group. Mr. Deterding then said that he was ready to help the Anglo-Persian Company to safeguard their position in every way (as he had done in his present arrangements with them), and to co-operate in arriving at a settlement; but his group would have nothing to do with any arrangement involving Stock Exchange transactions and large promoters' profits (which in the case of the Anglo-Persian Company were between 500,000*l.* and 600,000*l.*). He believed that on this point negotiations with the Anglo-Persian Company or other representatives of the D'Arcy interests would break down—this had been the real stumbling block hitherto.

Mr. Deterding put the requisite capital at 1,000,000*l.* to 1,500,000*l.*; it was evident that he doubted the ability of the D'Arcy group to find the money.

He repeated his recommendation of a round-table conference, but urged that His Majesty's Government should be represented at such a meeting.

November 18, 1913. P. A.

Enclosure 4 in No. 214.

Sir H. Llewellyn Smith to Mr. Deterding.

Dear Mr. Deterding, *November 22*, 1913.

I HAVE not failed to bring before the Foreign Office and the Admiralty the various points urged by you during the conversation which I had the pleasure of having with you on Tuesday last.

With regard to the question of the position of Sir Henry Babington Smith and the possibility of inducing him to reconsider his decision to retire from the Turkish Petroleum Company, I understand Sir Henry Babington Smith has informed the Foreign Office that his decision to retire is final and irrevocable, and that in all the circumstances of the case Sir Edward Grey is not prepared to reopen the matter.

With regard to the possible effect of the retirement of the National Bank in increasing unduly the German influence in the joint undertaking, the Foreign Office opinion is that, so far as regards the oil-fields of the vilayets of Mosul and Bagdad, the net result of a scheme such as that discussed between Herr Stauss and myself would be that the Deutsche Bank would have 25 per cent. of the capital of the new company, i.e., precisely her present share in the Turkish Petroleum Company. The Germans would, it is true, have an option if so desired on a certain proportion of the fuel oil, but in view of what you said as to the extreme uncertainty of any considerable surplus of oil fuel being available for export at least for several years, this cannot be considered to be a very important matter, and I am informed that neither the Foreign Office nor the Admiralty take any objection to it.

As regards oil concessions in other parts of the Turkish Empire, it will of course be clearly understood that in the present discussions His Majesty's Government are concerned exclusively with the question of oil in the two vilayets named, and that nothing that is now being arranged in any way prejudices the freedom of His Majesty's Government to give such support as they may think necessary to any existing or future British rights, claims, and interests in other parts of Turkey.

The Foreign Office, therefore, agree with us in favouring an endeavour to arrange a settlement on the lines discussed between me and Herr Stauss.

I understand from the Admiralty that they quite appreciate the force of your remarks about the elements of uncertainty as to the fuel output of Mesopotamia and the difficulties as regards its geographical position. They also admit your contention with regard to the impossibility of His Majesty's Government insisting on obtaining such a supply as would cause a famine for local purposes. But having taken all these matters into account and weighed the matter very carefully, the Admiralty adhere to the view that the arrangement outlined in my conversation with Herr Stauss is that which, on the whole, is most favourable to British interests of any which appears obtainable. It is quite appreciated that no rigid condition as to 50 per cent. of the non-Turkish employés being British could be maintained unless and until there is a greater supply of competent British experts than at present. You will see, however, on referring to the enclosed copy of memorandum of my conversation with Herr Stauss, that the provision in question was expressly made conditional on a supply of competent candidates being available.

As regards your apprehensions that the Anglo-Persian Company might treat the matter not from the point of view of the best development of the Mesopotamian oil-fields, but from that of promoters' profits, I agree that this is a matter of very considerable importance, which is being looked into.

Subject, however, to the representatives of the D'Arcy interests being in a position to satisfy us as to the financial methods of raising the necessary capital and as to their *bonâ fide* desire and intention to develop the oil-fields, the conclusion at which we have arrived is that the arrangement outlined in the enclosed memorandum is, in all the circumstances of the case, as satisfactory as can be hoped for.

I trust, therefore, that you will see your way, on consideration, to adhere to it.

In the circumstances there seems at the present stage to be no use in a round-table conference to rediscuss these questions as open ones, but if on the basis of the acceptance in principle of the scheme in question there are any points of detail on which it appears desirable to have a discussion, there will be no difficulty in arranging for one.

Yours very truly,
H. LLEWELLYN SMITH.

Enclosure 5 in No. 214.

Mr. Detcrding to Sir H. Llewellyn Smith.

(Confidential.) *Exchange Chambers, 24 and 28, St. Mary Axe,*
Dear Sir Hubert, *London, November 24, 1913.*

I BEG to acknowledge receipt of your favour of the 22nd instant.

I duly note that the decision of Sir Henry Babington Smith to retire from the Turkish Petroleum Company is irrevocable.

I beg to state that the Turkish Petroleum Company does not limit its operations to the vilayets of Bagdad and Mosul, but to the whole of the Turkish Empire, and I think it will be rather awkward and difficult to work if an opportunity were opened by which some of the parties interested were able to compete with the company in which they eventually may be interested, by having other petroleum interests in the Turkish Empire.

As regards fuel oil, I still do not see how Herr Stauss could have claimed 40 per cent. of the available quantity exported, as his interest in the company is absolutely limited to 25 per cent., and I fail to see any justifiable demand can be made by him for more.

I duly note that the Admiralty agree with most of my remarks, but I fail to see how the object which the Admiralty and the honourable members of His Majesty's Government have in view can be attained if, instead of the company remaining a private company as it is at present, it should be transformed into a public company, as the possession of a majority of shares which may then be bought in the open market may change the control of the company. Surely there cannot be two views on this argument.

I do not think that the memorandum as drafted really embodies all the points at issue. As a matter of fact, I have been informed by the Bank of Turkey that, outside

the bank itself, they have other parties interested in 50 per cent. of the shares they hold, and no suggestion has been made as to how this should be settled.

I therefore beg to repeat that I do not see any possibility of settling this matter, which has now been dragging on for more than six months, unless the British parties interested have a conference, and I think that in fairness it is due to me, after the statements made about me by other parties, that such conference should be held in the presence of representatives of the Board of Trade, the Foreign Office, and the Admiralty. The matter is not so simple that it can be settled by a plain memorandum.

I am, &c.
H. W. A. DETERDING.

Enclosure 6 in No. 214.

Minute by Mr. Ashley.

Sir H. Llewellyn Smith,

A CONFERENCE was held at Gwydyr House yesterday, at which there were present Mr. Barnes, Mr. Stanley, and Mr. Ashley, of the Board of Trade; Sir Frederick Black, Admiralty; and Mr. W. K. D'Arcy, Mr. C. Greenway, Mr. Wallace, and Sir Hugh Barnes, representing the D'Arcy Syndicate and the Anglo-Persian Oil Company.

After reminding those present of the constitution of the Turkish Petroleum Company, Mr. Barnes stated that the National Bank of Turkey were now resolved to retire from that company, and that their shares would accordingly be offered in equal moieties to the Deutsche Bank and the Anglo-Saxon Petroleum Company; the Board of Trade had reason to believe that neither the Deutsche Bank nor the Anglo-Saxon Company was willing to divest itself of any part of its interests in the Turkish Petroleum Company. Both the Deutsche Bank and the Anglo-Saxon Company were aware that without the support of the British Government the desired concession was not likely to be obtained from Turkey, and, on the other hand, it was clear that the benevolent neutrality of the German Government is a necessary factor for the acquisition of the concession by any British group.

Since the last interview with Mr. Greenway, the British Government had been endeavouring to find some solution of the difficulties in existence, and it was now known that the purely German interests concerned would be willing that half the interest in the proposed concession should be vested in the hands of a group nominated by the British Government, and the Board of Trade had reason to believe that such an arrangement would be acceptable to the German Government.

Mr. Greenway said that a 50 per cent. interest would not be sufficient to ensure control, and he doubted whether even 50 per cent., plus the chairmanship, would really be of any use.

Mr. Wallace concurred in this view, saying that whilst in theory 50 per cent. interest would protect the Anglo-Persian Company against the kind of competition which it feared from the Mesopotamian oil-field, in practice the two parties holding the remaining 50 per cent. would, on account of their great influence elsewhere, be able to exercise such pressure as to make them dominant.

Mr. Barnes asked why it was assumed that the Deutsche Bank and the Anglo-Saxon Company would always combine against the British group; Mr. Greenway and Mr. Wallace said that the "Shell" interests and the Deutsche Bank interests have so many arrangements in common that the tendency would always be towards their co-operating in this matter also.

Some desultory conversation followed, in the course of which Mr. D'Arcy referred to his claims on the support of the British Government, to the fact that it had always been understood that the concession should be given to him entirely, and to an alleged statement of Sir E. Grey to Mr. Greenway that any arrangement which did not give the D'Arcy group a clear preponderance would obviously offer them no sufficient protection.

Mr. Barnes and Mr. Stanley pointed out that the present proposals were the outcome of a good deal of negotiation, and must be taken as representing the maximum which could be obtained. Mr. Barnes then informed the representatives of the D'Arcy group that the Deutsche Bank would be willing to support the election of a first chairman from that group, and would probably be willing to continue to favour a similar election, and intimated that there seemed reason to believe that the Deutsche Bank would not co-operate with the Anglo-Saxon Company in a policy directed against the Anglo-Persian Company.

In view of these circumstances he wished to know if the D'Arcy group did or did not wish to be the British nominees in this matter.

Mr. Barnes also said that before attempting to answer that question the representatives of the D'Arcy group might wish to know the conditions which His Majesty's Government would expect the group, if nominated, to fulfil, and read the following heads of conditions:—

(*a.*) Half the necessary capital must be subscribed by the group, and effective steps must be taken for securing to the satisfaction of the Government that the voting power remain constantly in British hands.

(*b.*) No promotion profits to be made out of the company to be formed for the purpose of working the field.

(*c.*) The field to be worked energetically, and the British group will be expected to give an undertaking to this effect.

(*d.*) The company must reserve for the British Government, if they so desire, a preferential right up to 40 per cent. of the fuel available for export.

(*e.*) An option for a certain quantity to be reserved for the German Government should they so desire.

(*f.*) Not less than half of such of the higher employés of the company as are not Turkish to be nominated by the British group, and to be of British nationality. If the German Government should so demand, some of the higher employés to be of German nationality.

(*g.*) In time of strained relations or war the directors representing the British group on the board of the new company to follow the guidance of His Majesty's Government in matters affecting Imperial defence.

With regard to the first of these conditions, Mr. Greenway and Mr. Wallace pointed out that the existence of oil was not yet proved at all, and they suggested that, in the first instance, an exploration syndicate might be formed, the capital for which would be subscribed privately by the various parties. Should oil be found in paying quantities, a public company would be formed, and they suggested that any profit to the promoters should be taken by the promoters in the form of ordinary or deferred shares, debentures and preference shares being alone offered for public subscription. This was the arrangement adopted by the Burma Oil Company in the flotation of the Anglo-Persian Company; they quite recognise that any large cash payment by the company when formed to the promoters would be open to strong objection on the part of His Majesty's Government.

With regard to the other conditions they raised no objection, and were evidently prepared to acquiesce.

The discussion then reverted to the fundamental question of the division of interests in the new company. Various suggestions were put forward by the representatives of the D'Arcy group, as, *e.g.*, for a geographical distribution of interests, and for pressure by His Majesty's Government on the German Government to induce the Deutsche Bank to sever its connection with the Anglo-Saxon Petroleum Company and co-operation by the two Governments to secure a concession for the Anglo-Persian Company and the Deutsche Bank jointly.

The Board of Trade representatives pointed out that it appeared to them to be utterly impracticable to reach any arrangement other than that which had been outlined at the commencement of the meeting; that it was clear that Mesopotamian oil-fields could not be sterilised indefinitely; that the representatives of the D'Arcy group appeared to exaggerate the likelihood of a combination of the Deutsche Bank and the Anglo-Saxon against them; and again urged that they should consider whether such an arrangement as was proposed would not in fact give them adequate protection if they had the chairmanship and were assured of the reasonable support of the Deutsche Bank, which we had reason to think would be given.

Mr. Greenway inquired if the Deutsche Bank would be disposed to transfer any part of its voting power, though not necessarily of its financial interests, to the Anglo-Persian Company. Mr. Barnes and Mr. Stanley said that they thought this unlikely, and that it was not a request that could be urged.

It appeared that the representatives of the D'Arcy group were extremely dissatisfied, but at the end of the conference Mr. Greenway expressed a strong desire to enter into direct communication with Dr. von Gwinner, apparently in the belief that he could obtain from that gentleman some more formal undertaking of support should the proposed company be formed.

November 28, 1913.

Enclosure 7 in No. 214.

Minute by Mr. Ashley.

IN consequence of Sir Hubert Llewellyn Smith's instructions I saw Herr Stauss this (Friday) morning at the Savoy Hotel, and had some informal conversation with him.

With regard to the question of chairmanship, he repeated what he had said in his conversation at the Board of Trade and in his letter, that the Deutsche Bank would support the election of the first chairman from the D'Arcy group, and would, he thought, continue their support to such an election so long as the company was run in a satisfactory manner. If, however, the Anglo-Persian Company should use its control of the office of chairman to check unreasonably the development of the Mesopotamian field, he thought that His Majesty's Government would feel that a change in the chairmanship would be reasonable.

As regards the option for fuel oil, which must be limited to oil available for export, he thought it was certain that the German Government would want an option of some kind. He pointed out that his own concern, the Stearia Ramana, is already a large supplier to the Admiralty, and from the business point of view he would always be anxious to meet the Admiralty wishes.

With regard to the question of staff, he thought that it would be reasonable for the Germans to claim a proportion equivalent to their share in the capital of the company. Herr Stauss further said that, as far as he himself was concerned, he saw no objection to the Anglo-Persian Company simply taking the place of the National Bank in the Turkish Petroleum Company, but that he did not know how this proposal would commend itself to Mr. Deterding. He further stated that 30 per cent. of the holding in the Turkish Petroleum Company, which stood in the name of the National Bank was actually appropriated by M. Gulbenkian, an Armenian, who has from time to time acted as the financial agent in London. Herr Stauss thought that M. Gulbenkian's interest was a personal one, and not on behalf of the Turkish Government.

Herr Stauss also told me, what we already suspected, that the Deutsche Bank was endeavouring to obtain the proposed Turkish petroleum monopoly, which apparently is being discussed by Djavid Bey amongst other matters at Berlin.

Referring to the question of chairmanship, Herr Stauss mentioned that Mr. Deterding at one time had in mind the suggestion for a neutral independent chairman.

I then told Herr Stauss of Mr. Greenway's desire to enter into communication with Dr. von Gwinner, and suggested that he might possibly care to meet Mr. Greenway, in which case I would inform Mr. Greenway that Herr Stauss was in London and would be glad to have a talk with him. Herr Stauss, after some consideration, said that he thought that would be a desirable course, and suggested that Monday of next week would be a convenient time. He does not propose, I gather, to say anything to Mr. Deterding in the meantime, but should it appear, as a result of his conversation with Mr. Greenway, that an arrangement seems possible, Herr Stauss would endeavour to arrange a conference of all three parties.

I have since seen Mr. Greenway and told him that Herr Stauss is in London and would be willing to see him. Mr. Greenway will communicate with Herr Stauss with a view to a meeting on Monday, and in the light of the discussions at that meeting will consider the whole matter and let us have a final decision of his group.

I gather that the present disposition is to drop the matter if they cannot get a more formal undertaking from the Deutsche Bank as to support than, in my opinion, the latter could be reasonably expected to give. But this may be an attitude adopted for purposes of negotiation.

November 28, 1913. P. A.

Enclosure 8 in No. 214.

Minute by Mr. Ashley.

I HAD some telephonic conversation to-day with Mr. Greenway, who had just come from a lengthy interview with Herr Stauss in which all the ground had been covered. Mr. Greenway said that Herr Stauss repeated what he had told us at the

Board of Trade, that the Deutsche Bank could not dissociate itself from the Anglo-Saxon Company, whilst Mr. Greenway had explained to Herr Stauss that the Anglo-Persian group regarded something more than 50 per cent. as a *sine quâ non*. He had suggested to Herr Stauss that the Deutsche Bank should either give up to the Anglo-Persian group a small percentage of its holding (which Herr Stauss had told us it would not do) or induce the Anglo-Saxon Company to do so. Mr. Greenway appears to have said to Herr Stauss that, unless one or other of these alternatives were adopted, his group would not enter into an arrangement, and in that event His Majesty's Government might "block" the grant of any oil concession at all in Mesopotamia.

P. A.

December 1, 1913.

Enclosure 9 in No. 214.

Minute by Mr. Barnes.

Mr. Stanley,

I HAVE seen Sir Francis Hopwood to-day, and I told him that the D'Arcy group were unwilling to accept the 50 per cent. offered. He said, "I know that already, for they all came to see me on Friday afternoon and were very huffy about it. I took the opportunity of pointing out to them that, if they continued in their present attitude, it might result in their being left out altogether, and that, if they were, they could not with any justice blame British diplomacy."

I asked him whether the Admiralty would have any objection if any means could be found by which the Anglo-Saxon Company could be eliminated. He said in reply, "We lead a very stormy life in our interviews with the 'Shell.' I always try to keep on good terms with them myself, because I feel we want their stuff." He said that he could not be willing at all to see any step taken which might possibly risk an entire break with the "Shell." He said, "They might be in a position some day to hold up the British Navy, and I certainly do not wish to quarrel with them, for we cannot be independent of them at present."

G. S. B.

December 1, 1913.

Enclosure 10 in No. 214.

Sir H. Llewellyn Smith to Mr. Deterding.

Dear Mr. Deterding, *December* 1, 1913.

WITH further reference to your letter of the 24th November, I fear that I am not in a position to add materially to my previous letter.

As regards the operations of the Turkish Petroleum Company in parts of Turkey outside the vilayets of Mosul and Bagdad, I have already explained that His Majesty's Government must remain entirely free to take what action they may think British interests require as regards any claims to concessions in those districts.

The point you raise as to the parties interested in some of the shares of the Turkish Petroleum Company held by the National Bank of Turkey seems to me to be primarily a matter of internal concern for the consideration of the parties by which that company is constituted.

The best way of avoiding the control of the new company being changed by purchase of shares in the open market is being carefully considered.

I think that His Majesty's Government, before taking part in such a conference as you suggest, would desire to be assured that it is in accordance with the wishes of all the interests concerned. In any case it would be an essential preliminary that we should know definitely whether or not the parties constituting the Turkish Petroleum Company are prepared in principle to join with the Anglo-Persian Oil Company on the basis and for the purpose already indicated.

Yours very truly,

H. LLEWELLYN SMITH.

Enclosure 11 in No. 214.

Mr. Deterding to Sir H. Llewellyn Smith.

Exchange Chambers, 24 and 28, St. Mary Axe,
London, December 2, 1913.

Dear Sir Hubert,

I AM much obliged for your lines of yesterday's date.

I think I can assure His Majesty's Government that, as far as we are concerned, we have no other desire than, if it is necessary to reconstitute the Turkish Petroleum Company with other partners, to do so on the basis that the interests which His Majesty's Government have in view are absolutely protected.

We are most anxious to have a speedy and practical settlement; and as I understand the same is the case with His Majesty's Government and the Anglo-Persian oil interest, there ought to be a mutual desire to have the conference which I have so long proposed.

Yours very truly,

H. W. A. DETERDING.

[54954]

No. 215.

Mr. O'Beirne to Sir Edward Grey.—(Received December 5.)

(No. 402.)
(Telegraphic.) R. *St. Petersburgh, December* 4, 1913.

YOUR telegram No. 779 of 2nd December: Shatt-el-Arab Riverain Commission. Following is the text of proposed communications:—

Aide-mémoire to Russian Government:— (End of R.)

(F.) "En se référant à l'aide-mémoire du Ministère Impérial du 17 (30) novembre au sujet des droits de police et de juridiction de la Commission de Navigation sur le Chatt-el-Arab, le Chargé d'Affaires d'Angleterre est autorisé à faire les déclarations suivantes:

"1. Le Gouvernement de Sa Majesté britannique entend bien par la déclaration signée avec le Gouvernement ottoman le 21 octobre, et dont le texte est cité dans l'aide-mémoire de l'ambassade du 23 octobre (5 novembre), que le dragoman du consulat de Russie aura le droit d'assister à l'examen des affaires dans lesquelles les accusés appartiennent à la sujétion russe.

"2. Le Gouvernement de Sa Majesté britannique n'a aucune objection à ce que la perception des amendes sur les sujets russes ainsi que leur détention, le cas échéant, ait lieu dans le consulat. Celui-ci remettra le montant des sommes ainsi perçu à la Commission.

"3. Le consul aura le droit de prendre connaissance des affaires et de se mettre en rapport avec la Commission préalablement au jugement de celle-ci.

"4. Il est bien entendu que les stipulations de l'article 8 de la convention anglo-turque du 11 juin ne touche en rien au droit du consul russe d'exercer ses fonctions, d'après les Capitulations et les ordres établis, par rapport aux sujets russes tant à bord des vaisseaux russes sur le Chatt-el-Arabe que sur le territoire riverain de la Commission.

"5. En plus des comptes rendus annuels prévus par l'article 15 de la convention, la Commission ne manquera pas, si le consul en exprime le désir, de fournir à celui-ci toutes explications utiles quant au montant des droits prélevés par la Commission et quant aux travaux qui ont nécessité ces droits. Le consul n'aura pas, toutefois, le droit d'opposer son veto à des travaux jugés nécessaires par la Commission." (End of F.)

Aide-mémoire from Russian Government:— (End of R.)

(F.) "Le Gouvernement Impérial, en prenant acte des communications de l'Ambassade britannique du 23 octobre et du novembre de l'année courante, se déclare prêt à reconnaitre le droit de la Commission, pour améliorer les conditions de la navigation du Chatt-el-Arabe, de percevoir sur les vaisseaux russes des taxes qui

seront fixées en article 11 de la Convention du de l'année courante, conclue entre la Grande-Bretagne et la Turquie. Le Ministère Impérial ne manquera pas de charger ses consuls de veiller à ce que les vaisseaux russes ne se soustraient pas au paiement des taxes et se soumettent aux règlements qui seront établis par la Commission pour les bâtiments de toutes les nations.

"Les amendes qui seront imposées à des sujets russes par le tribunal de la Commission en vertu de l'article 7 de la convention ci-dessus mentionnée et de l'aide-mémoire du Ministère Impérial du 17 novembre courant seront remises par les consuls de Russie à la Commission."

[54366] No. 216.

Sir Edward Grey to Sir L. Mallet.

[By Post.]

(No. 430.)

Sir, *Foreign Office, December* 5, 1913.

AS your Excellency is aware from my telegram No. 769 to St. Petersburgh of the 29th November last, I instructed His Majesty's Minister there to discuss fully with the Minister for Foreign Affairs the Russian objections to articles 7 and 8 of the Shatt-el-Arab Convention.

I have now received from Mr. O'Beirne a report of the result of that discussion, to the following effect:—

The Russian Government will not ask for any alteration of the convention or for any new declaration upon condition—

(*a.*) That His Majesty's Government give an assurance that they understand by the declaration of the 21st October that the dragoman of the Russian consulate is entitled to be present at the hearing of cases affecting Russian subjects. With this proviso, the Russian Government agree to the Commission being empowered by "delegations" to enquire into such cases and to impose fines, since British officials are to be members of that body.

(*b.*) That His Majesty's Government agree to the amount of any fines imposed being levied, and to detention taking place in the Russian consulate, provided that such amount is remitted to the Commission.

(*c.*) That His Majesty's Government agree to the Russian consul being entitled to acquaint himself with the case and with the Commission [*sic*] before the hearing.

(*d.*) That in addition to the accounts which have to be published under article 15 of the convention, the Commission will furnish the Russian consul, if he so desires, with full explanations regarding the dues imposed and the works undertaken which necessitate such dues.

(*e.*) That nothing in article 8 of the convention affects the right of the Russian consul to exercise his usual functions in relation to Russian subjects on board Russian ships in the Shatt-el-Arab and on shore, and that the Commission will render the consul any necessary assistance.

The Russian Government will on their side recognise the right of the Commission to levy dues, and will instruct their consuls to see that Russian ships pay these dues and observe the regulations.

I have informed Mr. O'Beirne that these stipulations appear to me to be reasonable, and that I am prepared to authorise a formal communication to the Russian Government recording my assent, provided it is recognised that the condition laid down in (*d*) will give the Russian consul no right to veto any works which the Commission may consider necessary.

As soon as I have received from Mr. O'Beirne the draft texts of the communications which must accordingly be exchanged between the two Governments, I propose to inform Hakki Pasha of their contents, and to state to his Highness that His Majesty's Government consider that the proposals of the Russian Government must be regarded as covered by the Anglo-Turkish declaration of the 21st October.

I am, &c.
E. GREY.

[55109] No. 217.

Sir W. Townley to Sir Edward Grey.—(Received December 6.)

(No. 407.)

(Telegraphic.) R. *Tehran, December* 5, 1913.

TURCO-PERSIAN frontier.

My telegrams referred in your telegram No. 477 of 4th December were based on assurances given by Persian Government. The 4,000*l.* was duly remitted to Constantinople and was doubtless absorbed to meet arrears of pay. Persian Embassy there had long been crying misery, and it is perhaps not generally recognised that actual salary forms but a small part of a Persian official's revenue at a post like Constantinople, where opportunities of squeeze are many. Doubtless little, if any, of the 4,000*l.* went to meet the expenses of the Commission.

I have arranged with M. Mornard that he will find to-day funds immediately necessary for the requirements of the Commission. Ministry for Foreign Affairs is trying hard to get control of the money for the Commission, but I am of opinion that best way would be for Persian share of 10,000*l.*, if advanced, to be placed in the hands of M. Mornard, who should attach paymaster from Mohammerah to Persian Commission.

[55119] No. 218.

Sir R. Rodd to Sir Edward Grey.—(Received December 6.)

(No. 218.)

(Telegraphic.) R. *Rome, December* 6, 1913.

MINISTER for Foreign Affairs, whom I saw to-day, at once entered into conversation on some of the points which you directed me on 26th November to discuss.

As regards islands in Italian occupation some progress may be recorded, as his Excellency seems now to have abandoned the plea that the presence of Turkish troops in Cyrenaica makes a continuance of occupation imperative, and reiterates emphatically that Italy entirely upholds view adopted by Powers that none of them should seek territorial acquisitions from Turkey, whose Empire in Asia it is Italy's interest to preserve permanently if possible. The one point, however, which he considers of imperative importance is that Italy should find some sphere for economic and commercial development in Turkish Empire. There was a disposition to meet their views in Turkey as regards south-west angle of Asia Minor, but nothing of a concrete character had yet been concluded. I explained your views as to Smyrna–Aidin Railway Company, and he said he quite realised that they had both established rights and interests, but he did not see why there should not be found means of conciliation of these with some sphere of activity for Italy. There were harbour works both at Adalia and elsewhere and other fields of enterprise of a not too ambitious or costly character. If these could be obtained for Italy in a definite form, he felt it would become easy for her to proceed with evacuation of the islands and to deal with public opinion, which expected some return for money and energy expended on occupation. He had himself thought it might be of advantage that Italy should endeavour to deal directly with railway company, and if that met your views he was prepared at once to approach them.

[55190] No. 219.

Sir L. Mallet to Sir Edward Grey.—(Received December 8.)

(No. 969.)

Sir, *Constantinople, December* 2, 1913.

WITH reference to your telegram No. 551 of the 22nd of last month, I have the honour to enclose herein copies of an *aide-mémoire* which I left with the Grand Vizier on the 27th instant, upon his return from Adrianople, protesting against any infringement of the rights of the Smyrna–Aidin Railway Company.

I have, &c.
LOUIS MALLET.

Enclosure in No. 219.

Memorandum communicated to Ottoman Government.

L'AMBASSADEUR de Sa Majesté britannique est chargé par son Gouvernement de rappeler à l'attention de son Altesse le Grand Vizir que, selon les provisions de l'article 2 de la convention annexe conclue en 1906 entre le Gouvernement Impérial et la Compagnie du Chemin de Fer Aïdin, le Gouvernement Impérial s'interdit d'accorder, sans le consentement de la compagnie, à toute autre personne ou société, la concession de la construction de toutes lignes de chemin de fer pouvant faire concurrence aux lignes concédées à la compagnie dans un rayon de 40 kilom., c'est-à-dire 25 milles, en tous sens des deux lignes indiquées à l'article 1er de la convention : (1) la ligne principale et prolongements, (2) embranchement partant d'un point de la ligne qui sera ainsi prolongée et aboutissant au lac de Bourdour, ainsi que la construction d'une ligne partant d'Adalia et aboutissant soit aux lignes de la compagnie d'Aïdin, soit à celles d'Anatolie ou de Bagdad.

Ainsi toute ligne partant d'Adalia dans la direction des deux lignes susmentionnées ou de l'embranchement, même si elle n'aboutisse pas à ces lignes, entre, par ce fait, dans la zone réservée, et par suite ne pourrait que porter préjudice aux droits de la compagnie. Les mêmes objections seraient applicables à l'institution d'un service d'automobiles.

La Grande-Bretagne n'a aucune ambition politique dans ces régions ni aucun désir d'entraver leur exploitation économique par d'autres. Il est, pourtant de son devoir de protéger les intérêts de la compagnie anglaise, qui est, du reste, la seule compagnie de chemin de fer britannique dans l'Empire ottoman.

Dans ces circonstances l'Ambassadeur de Sa Majesté britannique est chargé d'exprimer au Gouvernement ottoman son vif espoir qu'il n'accordera pas de concessions dans ces régions sans des consultations préalables avec le Gouvernement britannique, ni prendra aucun engagement envers d'autres concessionnaires, auquel le Gouvernement de Sa Majesté britannique serait forcé d'offrir une opposition résolue.

Constantinople, le 27 novembre, 1913.

[55193] No. 220.

Sir L. Mallet to Sir Edward Grey.—(Received December 8.)

(No. 978.)

Sir, *Constantinople, December 1*, 1913.

WITH reference to my despatch No. 963 of the 27th ultimo, I called upon the Grand Vizier to-day on his return from Adrianople and told his Highness that I regretted to hear from the Russian and German Ambassadors that the negotiations respecting a project of reform for the eastern vilayets were making no progress.

I reminded his Highness that when I saw him on the 11th November he told me that he was hopeful of arriving at a satisfactory solution of the question with M. de Giers on the basis of foreign advisers and not of foreign inspectors-general, and that the draft which M. de Giers had communicated to me admitted this concession, and seemed to me to be most moderate and conciliatory in character.

His Highness replied that the Turkish Government could now allow the right of the Powers to send them advisers, who would interfere in their internal administration and be in constant communication with the foreign Ambassador. It was wounding to their dignity and would not work in practice. I replied that in July last the Porte had sent in a note to the embassies in which they informed them that they proposed to ask the Powers to recommend them European inspectors-general, and that I could not understand how, if they were willing to accept foreign inspectors-general a few months ago, they could now hesitate to accept European advisers to the inspectors-general who would themselves be Ottoman subjects. Moreover, from what his Highness had previously said to me, I had understood that he was himself in favour of foreign advisers. It was absolutely essential that the Porte should endeavour to meet the Powers in this matter, and I begged his Highness to use all his influence in this direction. I could assure him that His Majesty's Government had no ulterior motive in giving this advice. They were inspired solely by their desire to see good government introduced into the provinces with the least possible delay, and by their

conviction that the Armenian population, if properly governed, would be a source of strength to the Turkish Government. I said that the acting Armenian patriarch, on the occasion of his official visit to me, had told me that the Armenians had no thought of independence; they wanted to live under Ottoman rule, and if their lives and property were guaranteed they would prove the most loyal subjects of the Sultan. They had so often been disappointed in the past that unless they were now given some guarantee in the shape of foreign advisers, they could not be expected to have much faith in the efficacy of reforms. The impression in Europe, and especially in England, where people were deeply interested in the question, would be deplorable, if after all that had happened the assistance of Europe was refused. There was no question of coercion—of imposing reforms by force, but His Majesty's Government was sincerely anxious to help the Porte, and if their friendly advice was set aside it would be felt in England as a rebuff. I was sincerely anxious that the relations of the two countries should be put on a really sound basis, but so long as the present condition of affairs continued in the provinces there would always be room for misunderstandings. If the Armenian question was satisfactorily dealt with, in a few years there would be no necessity for control, and the Oriental vilayets would prove to be a source of strength to the Ottoman Government.

His Highness took no exception to my remarks, and finally said that he would do his best to meet the Russian proposals in conciliatory spirit.

I am not, however, very hopeful of his accepting the revised project as it stands.

The situation has changed very much in the last ten days, and strong feeling is being shown against any European intervention in the matter of reforms.

Up to that time, although it is fair to say that I had been warned that the Government had set its face against control, it seemed possible that unchauvinistic counsels would prevail.

Coincidentally, however, with the crystallisation of M. de Giers' proposals in a draft project, which was no doubt presented to the Council of Ministers, a chorus of condemnation has appeared in the native press; attacks upon Russia have succeeded each other, and it is hinted that other Powers are quite ready to let Turkey undertake the task of reform by herself.

In the meantime there are indications of rising feeling against the Armenians. The new Armenian patriarch has received a threatening letter signed by the "Young Mussulmans" warning his Beatitude against interfering in matters concerning the nation and the Government, and intimating that should he not follow this advice the "Young Mussulmans" will not be slow to carry out the decisions already taken in the matter. Two days ago an Armenian priest was twice stoned by a band of Mussulman youths in a quarter of the capital, while the same day an Armenian church was daubed red by apparently a similar hand.

I have the honour to enclose a translation of an article in to-day's "Tasvir-i-efkiar"* which tries to make out that the question of reforms in the Eastern Anatolian vilayets is one of Christian Europe *versus* Islam. Articles of this nature tend to inflame Moslem sentiment and to obscure the fact that Europe's desire to assist in the work of reform is prompted by the conviction that such reforms are as much in the interests of the Moslem Turks and Kurds as of the Christian Armenians.

I have, &c.

LOUIS MALLET.

[55199] No. 221.

Sir L. Mallet to Sir Edward Grey.—(Received December 8.)

(No. 984.)

Sir, *Constantinople, December 2*, 1913.

I HAVE the honour to forward herewith a despatch from His Majesty's consul at Basra, reporting a conversation with the managing director of Messrs. Lynch Brothers regarding the transport of railway material and intended extension of wharf accommodation.

I have, &c.

LOUIS MALLET.

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* Not printed.

Enclosure in No. 221.

Consul Crow to Sir L. Mallet.

(No. 61.)

Sir, *Basra, November 8, 1913.*

I HAVE the honour to report that the managing director of Messrs. Lynch Brothers informed me yesterday that the quantity of Bagdad Railway material accumulated at the German depôt here awaiting shipment to Bagdad is about 16,000 tons. The launches of the Société de Transports fluviaux en Orient are now all working except one, which is temporarily replaced by the "Bulbul." Messrs. Lynch Brothers succeeded in carrying out their contract for the first time last month, and forwarded 2,500 tons of railway material, this being the minimum quantity required under the terms of their agreement with the Bagdad Railway Company, as reported in my despatch No. 51, Confidential, of the 29th October, 1912.

Mr. Tod further informed me that, owing to the large accumulation of material at Basra, shipments from Germany are being temporarily suspended.

Mr. Tod appeared to assume that a fusion of the interests of the two river companies (Lynch, Idare) would shortly be effected in London, and in view of this he stated that he had approached his directors with the object of securing more wharfage space on the river front at Basra by purchasing or hiring part of the 16 acres of Soniyo property, situated between the Ashar and Khendek creeks, which is now being put up to auction. According to instructions received here from Constantinople, this ground, being part of the ex-Sultan's domains, is to be sold in lots, and only Turkish subjects are permitted to buy it. The price offered at present by the Mallaches (owners of date gardens at Basra) is 75 piastres per square metre for river frontage and 50 piastres per square metre for land at the back.

I have, &c.
F. E. CROW.

[55357] No. 222.

Captain Deedes to Sir A. Nicolson.—(Received December 8.)

Sysmel, Aldington, Hythe, Kent,
Dear Sir Arthur Nicolson, *December* [?], 1913.

I TRUST you will not consider it a presumption on my part submitting you a memorandum on the question of the Armenian reforms. I do so in the hope that possibly some of the suggestions may furnish a basis for a more complete scheme.

Yours truly,
WYNDHAM DEEDES.

Enclosure in No. 222.

Captain Deedes to Sir A. Nicolson.

Sir, *London, December* 13 [?], 1913.

I HAVE the honour to submit the following memorandum on the question of reforms in Armenia. The scheme, as adumbrated below, has no pretensions to completeness in detail. It is but an attempt to reconcile the great divergencies of view that exist concerning this matter, bringing them, as far as possible, to coincide with one another. The difficulty of the whole matter lies in the fact that these views are, at first sight, incompatible. The three points of view that have, if possible, to be reconciled with one another are the following: the Turkish, the Armenian, and that of the Powers.

1. The Turkish point of view: that the reforms be not carried out under European control.

2. The Armenian point of view: that European control be a *sine qua non* of reforms.

3. The Powers' point of view: (*a*) to placate both of the above views; (*b*) to placate the divergent interests of the Powers themselves.

These views, as presented above, are to all appearances irreconcilable. But, it being quite obvious that full rein cannot be given to the individual aspirations of the three parties, the only possible solution is to bring these three points of view down to the level of the "least common denominator"—that is, which shall go, as far as possible, to embrace the views of all "in general" without offending those of any "in particular."

To understand, therefore, to what minimum these three points of view can be reduced let me briefly examine each of them separately:—

1. The Turkish point of view. The Turkish Government's attitude in this matter is intelligible. The Turkish Government maintains, and history and experience support the view, that European control is a "thin end of the wedge" to an ultimate European occupation, and, assuming that the integrity of the Ottoman Empire is to be maintained, is a thing to be avoided.

2. The Armenian point of view: that European control is a necessity to reforms. Again history and experience show the force of this contention. Thirty years ago reforms were promised; these reforms, from Europe's not having fulfilled her guarantee, came to nothing. Armenians are not prepared, this time, to see history repeated.

3. The European point of view. While allowing the force of the above two contentions, does not see its way to granting either without endangering its own position.

Such being the case, one of three alternatives is open: to override Turkish susceptibilities; to ignore Armenian claims; or (the course chosen below) an attempt to conciliate the two, while avoiding European difficulties, thus producing a *modus vivendi*.

It is with this object that the scheme suggested below, after a full consultation with the leading advocates of the three parties, has been submitted:—

- Adviser-General, resident in Constantinople (European).
  - Consultative Board—
    - 3 Armenians.
    - 3 Turks.
    - 2 Advisers to Board (Inspectors-General (*A*) and (*B*)).
  - (*A.*) Inspector-General (European).
    - Ottoman Inspectors—
      1. Van,
      2. Bitlis,
      3. Erzeroum,
      4. Trebizond.
  - (*B.*) Inspector-General (European).
    - 5. Sivas,
    - 6. Kharput.
    - 7. Diarbekir, and independent sanjak of Samsun.

The Adviser-General, and with him his board, should be directly responsible to, and in sole communication with, not the Minister of the Interior, but the Grand Vizier and his Council of Ministers.

Operation of the Scheme.—Divisions into legislative and executive duties:—

(*a.*) The legislative officials are the Adviser-General (European) and the board. On this board, as will be seen, the European will have the casting vote. This means the European will have the predominating influence in the council.

(*b.*) Executive officials. At the bottom of the scale the existing Turkish officials in the provinces of to-day. Over them, and therefore not direct executive officers but merely controllers, (*a*) seven Ottoman inspectors; these exist to-day, and form part of the general Turkish scheme; they may be either Armenian or Turkish; two are, in fact, Armenian. (*b*) Over these seven Ottoman inspectors, who will be resident, one respectively, in each of the seven vilayets, two European Inspectors-General ((*A*) and (*B*) in scheme).

It should here be observed that, in principle, the so-called "eastern provinces" are to be divided into two zones of three and four provinces each. This answers geographical, and to a certain extent ethnological, requirements.

Advantages claimed for the Scheme.—These may best be exemplified by showing in what manner the scheme affects the three points of view, which it is desired to conciliate:—

1. The Turkish. Although, indeed, the Turks refuse European control, I have good grounds for knowing that it is European executive control to which they take exception. But I equally know that they do not pretend to be competent to formulate

a scheme of reforms themselves; on the contrary, that they would welcome such a scheme devised by Europeans, so long always that it is they who carry it out. *Amour-propre* is thus saved. Now, examining the scheme, it will be observed that there is no "resident" European in the eastern provinces; the only European element there will be is "inspection" of the "Turkish execution" of a "European scheme" devised by Europeans. While under the whole, again, is a sub-layer of seven "Ottoman inspectors."

2. The Armenian point of view. The reforms will be devised and drawn up by a European Adviser-General, while they will be inspected by two Europeans (Inspectors-General (*A*) and (*B*)). The presence of three Armenians on the advisory board at Constantinople will further ensure the Armenian voice being heard. There is therefore a considerable European and Armenian element.

3. The Powers' side of the question. Without here specifying what nationality the Adviser-General and the two Inspectors-General are to belong to, European control and interference is confined entirely to the "drawing up" of reforms and to the "inspection" of them. These three Europeans are neither directly executive officers nor resident in any particular locality. For the Adviser-General would be resident in Constantinople; the Inspectors-General, when not in town, likewise. Therefore there cannot possibly be any objection raised, such as that any one Power is attempting to obtain a predominating "local" influence.

But there is one point at this juncture which must be made perfectly clear to the Turkish Government. Only three Europeans are here asked for for Turkey. In view of the very strong claim of the Armenian protensions, therefore, a great concession has been made to Turkey. In return for this the Turkish Government must be made to give these three Europeans full powers, the "essence" of which powers are "appointment and dismissal of officials." This is a *sine quâ non*. Nor need the Turks have anything to fear from the granting of such powers if moderately and tactfully used.

Disadvantages that may be urged.—The following objection may be and would be raised, namely, that: Leaving the whole of the execution of the reforms in the hands of Turkish officials (Valis, Mutessarifs, kaimakams, &c.), as at present, is not a sufficient measure. But this objection is to ignore what I claim to be a very important point, namely, that the assumption that the officials in the provinces of to-day (and this applies equally to the gendarmerie) are of necessity incompetent officials.

This they are not; but only appear to be owing to the evil system in vogue. These officials to-day suffer from two disadvantages, which completely paralyse their efforts and good intentions. They are tied hand and foot to Constantinople and to the party machine. Were they given full rein to carry out the reforms, the necessity of which and the manner of whose execution no one is more aware of than themselves, they would be found fully competent for this purpose. Did they know that for their actions they would be responsible to two impartial Inspectors-General, and not to party wire-pullers, the disadvantages under which they suffer at present would disappear. Decentralisation is the kernel of the whole question—decentralisation carried on under the control of two Inspectors-General cognisant, from personal acquaintance, of local affairs, with no check imposed by Constantinople, where local needs and local requirements are ever ignored and overridden.

Looking at the whole question, I claim that this scheme goes further to meet all the objections than any other which can be thought of. The Adviser-General legislates for the general scheme of reforms. It is, therefore, a European scheme. On the advisory board the two conflicting elements, Armenian and Turkish, are represented, Each, therefore, gets a full hearing. In the long run the casting vote is a European one.

The Inspectors-General, who are the advisory members of the board, proceed on inspection cognisant of the views and desires of the board, and, on their return to Constantinople, report as to the manner in which these views are put into execution by the seven Ottoman inspectors, who, in their turn, control the Turkish officials in the provinces (Valis, Mutessarifs, kaimakams, &c.).

The seven Ottoman inspectors of each of the two zones submit their reports to the two Inspectors-General on the latter's tour of inspection, who, again, co-ordinating these reports with their own observations, submit them by letter or in person to the Adviser-General, who finally submits the whole to the Consultative Board.

One point remains to be noted, and that is that when reforms are talked about

there are certain of these reforms which, though absolutely necessary, do not, from their very nature, contain elements open to the objections of either of the three parties. I refer to technical reforms, such as Justice, Agriculture, Public Works, and Gendarmerie.

In none of these cases should it be possible to bring into conflict the susceptibilities of Turks, Armenians, or the Powers in the actual working of them. These reforms must be carried out for the good of the country as a whole. Nor do they open the door to any one Power or Powers which undertook them to advance their interests to the detriment of other Powers. For these would be but "services detailed" by the Adviser-General and his council, who, however, as in all matters, would be responsible for them.

By assigning these particular reforms, therefore, to one or more Powers the technical knowledge of those Powers in each department might be taken advantage of, but strict impartiality might equally be maintained.

For instance, the Gendarmerie to British officers; Agriculture to Austria; Public Works, according to concessions already given, to France; Justice, as might seem advisable.

I have, &c.
W. H. DEEDES, *Captain*,
Gendarmerie.

[55407] No. 223.

Board of Trade to Foreign Office.—(*Received December* 8, 1913.)

Sir, *Board of Trade, December* 8, 1913.

I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 6th December, transmitting copy of a letter from Messrs. Slaughter and May relative to the negotiations with respect to the navigation of the Euphrates and Tigris Rivers.

The Board see no objection to the modifications, now suggested by the firm, of the proposals contained in the Foreign Office letter to them of the 15th November; and I am accordingly to suggest, for Sir E. Grey's consideration, that copy of Messrs. Slaughter and May's letter should be communicated to Lord Inchcape, with an expression of the hope that he may see his way to agreeing to the arrangements outlined therein.

I am, &c.
H. LLEWELLYN SMITH.

[55581] No. 224.

Sir Edward Grey to Sir F. Elliot.

(No. 151.)
Sir, *Foreign Office, December* 8, 1913.

THE Greek Minister asked Sir E. Crowe to-day whether it was correct that the Ambassadors of the Six Great Powers at Constantinople were to be assembled in conference in order to discuss the question of the future of the Ægean islands. The Greek Government were much alarmed at this report, as in their opinion Constantinople was the last place where, in fairness to Greece, such a conference should be held.

Sir E. Crowe said in reply that he had never heard of the proposal, and that His Majesty's Government certainly had not so far considered such a local conference.

I am, &c.
E. GREY.

[55407] No. 225.

Foreign Office to Lord Inchcape.

(Confidential.)

My Lord, *Foreign Office, December 8, 1913.*

WITH reference to previous correspondence, I am directed by Secretary Sir E. Grey to transmit to you the accompanying copy of a letter, dated the 3rd December, from Messrs. Slaughter and May, agreeing, on behalf of their clients, and subject to a slight qualification, to the settlement proposed, after consultation with your Lordship, in the letter dated the 15th November on the subject of the navigation of the Euphrates and Tigris.

Sir E. Grey is aware that, in consequence of the death of Mr. H. F. B. Lynch, circumstances have somewhat altered since the date of the latter letter; but he nevertheless trusts that your Lordship will see your way to come to an arrangement on the basis of the proposals then made, subject to the slight qualification desired by the Euphrates and Tigris Steam Navigation Company.

I am to add that Sir E. Grey attaches great importance to an early and satisfactory settlement of this question, in order that negotiations may be concluded without further delay in regard to the determination of the German rights of navigation under article 9 of the Bagdad Railway Convention of 1903.

I am, &c.

EYRE A. CROWE.

[55584] No. 226.

Memorandum by Mr. E. Parkes respecting Shehr and Mokalla.

SHEHR and Mokalla are the two principal ports on the Hadramaut coast. They are under the chiefship of Sultan Awadth-bin-Omar of the Kayti tribe. Particulars of their history are contained in "Aitchison's Treaties," vol. 13, pp. 66–69 (1909 edition).

To India Office, November 19, 1887.

His Majesty's Government decided in 1887 to enter into protectorate agreements with all the tribes on the Hadramaut coast north-eastward between Aden and the limit of Oman influence at Ras Sair. In pursuance of this decision a protectorate agreement was concluded on the 1st May, 1888, with the chiefs of Shehr and Mokalla. This agreement was ratified on the 26th February, 1890.

As regards earlier relations, it is to be noted that in 1863 and 1873 the chiefs of Shehr and Mokalla entered into engagements with the British Government for the abolition and suppression of slavery, and that in 1882 the then chief (Jemadar) concluded an agreement with the British Government by which he became a British stipendiary.

Minute with Sir N. O'Conor, No. 13, Treaty, July 20, 1905.

In 1881 a dispute took place between the chiefs of Shehr and Mokalla in which the Aden authorities intervened. The Mokalla chief appealed, on the ground that he was an Ottoman subject, to the Sultan of Turkey. Thereupon the Porte complained of British interference, but were informed, in reply, that His Majesty's Government saw no ground for such remonstrance. A further complaint made by the Porte in 1882 was not answered.

Sir N. O'Conor, No. 13, Treaty, July 20, 1905.

India Office, August 24, 1903.

To Sir N. O'Conor, No. 266, September 28, 1903.

In 1903 a question arose as to the right of Omar Basar and his brothers, natives of of Shehr and Mokalla, to be registered at Hodeida as British-protected persons. This right had been recognised by His Majesty's Government earlier in the same year in the case of such natives resident in Zanzibar, but Sir N. O'Conor thought the Porte would be strongly disinclined to recognise our right to protect Hadramis in the Ottoman Empire. It was pointed out by the India Office that the claimants at Hodeida had settled there (about 1883) five years before the Shehr and Mokalla tribes came under British protection, and instructions were given to Sir N. O'Conor that the claim in this instance should be refused on that ground.

India Office, March 8, 1905.

To ditto, June 6, 1905.

Subsequently it was ascertained that Omar Basar's domicile at Hodeida dated from after the assumption of the British protectorate over Shehr and Mokalla, and it was held by the Foreign Office and India Office, when considering an application made by him to the Aden authorities, that he was entitled to receive a British passport to Hodeida.

Mr. Barclay sent home in January 1907 despatches from the vice-consul at Hodeida respecting the refusal of the local authorities there to recognise natives of Shehr and Mokalla as being under British protection. Both the Foreign Office and India Office considered that the vice-consul was justified in according to these natives the same protection that he would afford to British subjects, and Sir N. O'Conor was instructed to inform the Porte that the vice-consul's proceedings in the matter were correct.

Mr. Barclay, No. 9, January 7, 1907 (1406/07).

India Office, March 13, 1907 (8284, File 1406/07).

To Sir N. O'Conor, No. 117, March 30, 1907 (8284/07.)

About the same time (January 1907) an act of piracy was committed in Turkish waters on the "Johara," a dhow owned by a native of Shehr and Mokalla. Compensation was awarded by a Mixed Commission appointed to deal with the case at Hodeida. It was decided by the Foreign Office, after consulting the India Office, to emphasise to the Ottoman Government the fact that the owner and two other Aden merchants interested in the dhow were, as subjects of the Sultan of Shehr and Mokalla, British-protected persons, and instructions to make a communication to the Porte to this effect were issued to Mr. Barclay. He did not, however, report what action was taken by him upon these instructions.

(File 19628/07).

India Office, July 16, 1908 (24899, File 19929/08).

No further question relative to natives of Shehr and Mokalla at Hodeida was reported home up to the end of 1911.

To Mr. Barclay, No. 296, July 24, 1908 (24899/08).

EDWARD PARKES.

December 8, 1913.

[55408] No. 227.

Lord Inchcape to Mr. Parker.—(Received December 9.)

My dear Parker, 9, *Throgmorton Avenue, London, December 8, 1913.*

I ENCLOSE a letter addressed to the Foreign Office which, if you think is all right and you are prepared to support, you might put forward. If you disagree with it in any way you might let me know, and I will alter it as you think right, but I hope you will regard my attitude as reasonable. You have managed things splendidly with Hakki. I hope you are not over-straining yourself.

Yours sincerely,

INCHCAPE.

Enclosure in No. 227.

Lord Inchcape to Foreign Office.

Sir, 9, *Throgmorton Avenue, London, December 8, 1913.*

IN answer to your letter of this date, I appreciate the conciliatory spirit of Messrs. Slaughter and May's letter of the 3rd instant, and I feel sure it will lead to a friendly and lasting agreement for the working of the Tigris navigation.

So far as I can judge, there are only two very minor points which now have to be settled.

The Foreign Office letter of the 15th November stipulated that I should have a casting vote in the Management Company.

Messrs. Slaughter and May suggest that if Mr. John Lynch and myself should have a difference of opinion which we cannot settle ourselves, the matter should be referred to a referee. To this I have no objection, provided that in the first instance my view shall prevail. If then Mr. Lynch considers his interests are being prejudiced by my action, he can call in the referee.

In conducting the ordinary work of a business, some one must have the last word until things come to a deadlock and the referee is appealed to. In this case it must be either Mr. Lynch or myself, and the Foreign Office, recognising this has stipulated that it shall be me, and naturally so, seeing that the new Ottoman Company will bring

considerably more business to the Management Company than the Euphrates and Tigris and Fluvia Companies combined.

I anticipate no divergence of opinion between Mr. John Lynch and myself where our interests will be identical, and I observe that this is also Messrs. Slaughter and May's view. As regards the Fluvia Company being managed by the Management Company, I accept Messrs. Slaughter and May's assurance that this will be brought in, but should Messrs. Lynch from any unforeseen reason be unable to carry out their intention, the payment of the 5,000*l.* in that event would, of course, not be made, and some adjustment in the shares of the Management Company would have to be arranged, because the Ottoman Company with its potentialities will naturally be still much more valuable to the Management Company than the Euphrates and Tigris Company alone.

I hope, however, there will be no occasion either to withhold the 5,000*l.* or to divide the Management Company in other proportions than 50 per cent. to Mr. Lynch, and 50 per cent. to myself.

As regards a seat on the board of the Ottoman Company for Mr. John Lynch, I am quite prepared if things are satisfactorily settled to invite him to be a colleague, and I shall be prepared to work with him and the Euphrates and Tigris Company in all harmony with the object of conserving British interests in Mesopotamia, developing the trade of that country, and at the same time serving the interests both of the Ottoman and the Euphrates and Tigris Companies in the prosperity of which our individual interests will be bound up.

Yours faithfully,
INCHCAPE.

[55551] No. 228.

Sir H. Babington Smith to Sir E. Crowe.—(Received December 9.)

(Confidential.) *National Bank of Turkey,*
Dear Crowe, *50, Cornhill, London, December 9, 1913.*

I ADD a line to my letter of to-day to say in strict confidence that I believe you will find Gulbenkian ready to do what he can to facilitate an arrangement, if it is pressed upon him, *e.g.*, by reducing the amount of his participation and by not claiming independent powers of voting. He is in London till Friday, and will then be abroad till after Christmas.

It seems to me that the situation will be simplified if we carry out now our intention of transferring the shares of the National Bank and its group to the Deutsche Bank and the Anglo-Saxon Company, making such reservations as are necessary with regard to Mr. Gulbenkian's shares. It will then remain for the Turkish Petroleum Company, as then constituted, to come to terms, if they can, with Mr. D'Arcy's group.

Yours very truly,
H. BABINGTON SMITH.

Enclosure in No. 228.

Sir H. Babington Smith to Sir E. Crowe.

(Confidential.) *National Bank of Turkey,*
Dear Crowe, *50, Cornhill, London, December 9, 1913.*

I AM now in a position to reply further to your letter of the 4th instant on the subject of the Turkish Petroleum Company.

On referring to my correspondence with the Foreign Office on the subject of this company, I find that, in my first letter of the 29th August, 1912, I stated that one-half of the capital of the company would be held by the National Bank of Turkey and the English group associated with it. A participation, amounting to three-tenths of the National Bank's share, or 15 per cent. of the whole capital of the company, was assigned to Mr Gulbenkian. The only other participation was one of similar amount assigned to Sir Ernest Cassel personally. No question arises as to Sir Ernest Cassel's shares, as they will be dealt with in the same way as the shares of the National Bank.

I may mention that Mr. Gulbenkian is a British subject and one of the directors of the National Bank of Turkey. He had already interested himself in the question of petroleum in Turkey before the National Bank was formed, and it was partly on his initiative that the business was taken up by the National Bank.

The shares assigned to Mr. Gulbenkian remain in the name of the National Bank, and, under the articles of association of the Turkish Petroleum Company, the whole of the shares held by the bank and its group are treated as one block for the purpose of voting for the election of directors. It was understood also between the National Bank and Mr. Gulbenkian, that they would be treated as one block if occasion should arise for voting on other matters. Mr. Gulbenkian undertook, further, that he would not part with his interest to any other person without first offering it to the National Bank, and agreed that if it was considered desirable to cede a portion of the shares allotted to the National Bank and its group, in order to admit other outside interests, his holding would be proportionately reduced.

It follows that, so long as the National Bank of Turkey continues to take part in the business, Mr. Gulbenkian does not exercise independent voting power and cannot transfer his shares without the consent of the bank. When the National Bank retires the position will depend upon the conditions which may be established between the other parties to the company and Mr. Gulbenkian.

In the discussions which have taken place since August 1912, no question arose until recently which rendered it necessary to go into the distribution of the shares between the bank and its group. It was only when the negotiations entered upon their most recent phase that occasion arose for making a reservation as regards Mr. Gulbenkian's interest.

It was not unnatural, having regard to the history of the business, that when the National Bank proposed to retire from it, Mr. Gulbenkian should desire that his interest should be protected, and he expressed this desire in a letter which reached me at Berlin, after I had seen M. von Gwinner there on the 27th October. So soon as it appeared that a discussion between the parties concerned was about to begin, I mentioned, both to the representative of the Deutsche Bank and to Mr. Deterding, the reservation which it was necessary for us to make regarding Mr. Gulbenkian's interest. I also took, as you are aware, an early opportunity of mentioning it to Mr. Parker.

If I had seen Sir H. Llewellyn Smith after receiving Mr. Gulbenkian's letter I should no doubt have spoken to him on the point, and I am sorry if any inconvenience has been caused by the fact that he was not in possession of information regarding it when he saw M. Stauss, but I must point out that my only connection with that interview was that I conveyed to M. Stauss the wish expressed by Mr. Parker, at the suggestion, I understood, of the German Embassy, that M. Stauss would call at the Board of Trade, and that I had no knowledge of what Sir H. Llewellyn Smith intended to say to him.

With reference to the confidential information which you say has reached you, I have made enquiry of Mr. Gulbenkian, who states that he has not, in fact or in form, transferred his shares to the Shell interests. He is, indeed, unable to do so, so long as matters remain in their present position, without the consent of the National Bank of Turkey.

Yours, &c.
H. BABINGTON SMITH.

[54954] No. 229.

Sir Edward Grey to Sir L. Mallet.

(No. 568.)
(Telegraphic.) R. *Foreign Office, December 9, 1913.*

Mr. O'BEIRNE'S telegram No. 402 of 4th December: Shatt-el-Arab.

Hakki Pasha thinks his Government will not like the wording of article 2 of proposed British declaration, and asks that you should discuss the matter fully with the Ottoman Government.

We are brought up against the hard fact that the Russian Government will only agree to levy of dues on Russian ships and observance of regulations of Riverain Commission in return for a declaration such as is now proposed; unless, therefore, Turkey agrees, it will be impossible to carry out convention of 29th July. You should make representations in this sense to Minister for Foreign Affairs and argue that Ottoman Government can agree to procedure proposed under article 2, subject, if they

so desire, to their making at the moment when Commission is actually set up a reservation that adoption of this procedure in this particular instance shall not affect or prejudice Ottoman point of view respecting Russian rights in general under the Capitulations.

(Repeated to St. Petersburgh, No. 785.)

[55909] No. 230.

Sir Edward Grey to Sir L. Mallet.

(No. 569.)
(Telegraphic.) R. *Foreign Office, December* 9, 1913.

RIVER concession.

Sassoon Effendi was due at Constantinople this morning, and Hakki Pasha has informed Lord Inchcape that he expects to be able to sign concession, as altered during Sassoon Effendi's visit, on 11th December.

Please do all you can to get instructions sent in time to this effect. In sixth paragraph of article 4, p. 3, Hakki Pasha has agreed to substitute words "la société" for "le concessionnaire," and to erase words "de navigation, y compris celui."

He has examined statutes in detail and raises no substantial objection. He is telegraphing to Constantinople respecting them.

[55408] No. 231.

Foreign Office to Lord Inchcape.

My Lord, *Foreign Office, December* 9, 1913.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your Lordship's letter of the 8th instant, respecting the proposed arrangement between yourself and the Euphrates and Tigris Steam Navigation Company and Messrs. Lynch Brothers concerning the navigation of the Euphrates and Tigris.

I am to enclose a copy of a letter which Sir E. Grey has caused to be addressed to Messrs. Slaughter and May in reply to their letter of the 3rd December.

There might now be general advantage to all concerned if Messrs. Lynch Brothers, in the light of their experience, were consulted as to the statutes of the proposed Ottoman company and if they were shown the draft concession. Sir E. Grey has caused them to be informed that the concession is not yet signed, as he feels that there is no longer any object in withholding this information from them.

I am, &c.
EYRE A. CROWE.

[55408] No. 232.

Foreign Office to Messrs. Slaughter and May.

(Confidential.)
Gentlemen, *Foreign Office, December* 9, 1913.

I AM directed by Secretary Sir E. Grey to inform you that he has been in communication with the Board of Trade respecting the proposed agreement between your clients and Lord Inchcape in regard to navigation on the Euphrates and Tigris.

As a result, he caused a letter, of which a copy is enclosed,* to be addressed to Lord Inchcape on the 8th instant, and I am now to transmit to you, for communication to your clients, a copy of his Lordship's reply.†

Sir E. Grey earnestly trusts that the qualifications made by Lord Inchcape will not in any way prove unacceptable to your clients, and that an early settlement may now be reached by direct communication between them and Lord Inchcape.

I am, &c.
EYRE A. CROWE.

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* No. 225. † No. 227.

[55767] No. 233.

Sir L. Mallet to Sir Edward Grey.—(Received December 10.)

(No. 610.)
(Telegraphic.) *Constantinople, December* 10, 1913.

YOUR telegram No. 569 of 9th December.

Grand Vizier is indisposed, but I met Talaat Bey entering the Council for the discussion of the amended concessions. I urged him to have instructions sent to-night, and he promised to try.

[55859] No. 234.

Minute by Mr. Parker.

HAKKI PASHA informed me to-day that he wished to make a very confidential communication to me: it appeared that his Highness had been under a misapprehension with regard to the nature of the holding of Monsieur Gulbenkian in the Turkish Petroleum Company. That gentleman had just visited him, and had explained that he was in no way committed to the Shell interests in regard to the 15 per cent. holding he has in the Turkish Petroleum Company; he had, it was true, very close relations with the Shell in other directions, but he was prepared to allow the Anglo-Persian to have the voting power which those shares carried, and he was careful to explain that, under existing arrangements, that voting power was held by the National Bank of Turkey. Monsieur Gulbenkian would further be ready, in order to please His Majesty's Government, to agree to the Anglo-Persian Company having the chairmanship of the Turkish Petroleum Company.

This information is of course diametrically opposed to what Hakki Pasha told me a few days ago. Perhaps some pressure has been exercised upon Monsieur Gulbenkian by the National Bank of Turkey.

Hakki Pasha then said he wished to make a personal communication on behalf of Monsieur Gulbenkian. That gentleman wished it conveyed to the Foreign Office that he was a British subject of some substance; that he was prepared to put 150,000*l.* himself into the Turkish Petroleum Company, and that he hoped His Majesty's Government would appreciate his attitude in ceding his voting rights to the Anglo-Persian Company. He wished, however, to make it clear that he did not think much of the commercial reputation in the City of the D'Arcy group (Anglo-Persian Oil Company) and he hoped that in placing himself completely in the power of Mr. D'Arcy, whom he did not trust, he should enjoy a measure of protection of His Majesty's Government, as otherwise there would be floods of promotion money and the concession would not be properly developed. Monsieur Gulbenkian held himself at the disposal of His Majesty's Government and would be pleased to come to an interview should one be desired.

I thanked Hakki Pasha for this communication which I promised to treat in the confidential spirit in which it had been made.

December 10, 1913.

[56820] No. 235.

Déclaration.

LES soussignés, dûment autorisés par leurs Gouvernements, ayant examiné de nouveau la portée de l'article 6 de la déclaration du Gouvernement Impérial ottoman du 29 juillet, 1913, sont d'accord pour déclarer que, cet article ayant pour but de réserver intacts les droits découlant pour la Société Impériale ottomane du Chemin de Fer de Bagdad de l'article 9 de sa convention, la réserve y contenue s'étend aussi aux matériaux nécessaires à l'exploitation de la ligne et de ses embranchements, ainsi

qu'aux agents et ouvriers que ladite Société aura à transporter, seulement pendant la durée de la construction.

En foi de quoi les soussignés ont signé la présente déclaration.

Fait à Londres, en double original, le 10 décembre, 1913.

I. HAKKY.
E. GREY.

[56621] No. 236.

Déclaration.

LE soussigné, dûment autorisé à cet effet, déclare que si le concessionnaire, soumis à l'agrément du Gouvernement Impérial ottoman par le Gouvernement de Sa Majesté britannique, en vertu de l'article 3 de la déclaration ottomane en date du 29 juillet, 1913, relative à la navigation sur les fleuves Tigre et Euphrate, serait rendu incapable, par suite de maladie ou par toute autre cause, de procéder à la constitution d'une société pour exploiter la concession dont il est question, le Gouvernement Impérial ottoman s'oblige à transférer le bénéfice de ladite concession à un successeur désigné par le Gouvernement de Sa Majesté britannique et accepté par le Gouvernement Impérial ottoman; et le soussigné déclare que le terme "concessionnaire," dans l'acte de concession à accorder, sera interprété comme comprenant tout successeur auquel le bénéfice de ladite concession pourra être ainsi transféré.

En foi de quoi le soussigné a signé la présente déclaration.

Fait à Londres, en double original, le 10 décembre, 1913.

I. HAKKY.

[56622] No. 237.

Convention supplémentaire.

SA Majesté le Roi du Royaume-Uni de Grande-Bretagne et d'Irlande et des Territoires Britanniques au delà des Mers, Empereur des Indes, d'une part; et

Sa Majesté l'Empereur des Ottomans, d'autre part;

Désireux tous deux de prolonger au delà de la date visée dans la Convention supplémentaire du 21 octobre, 1913, la période prescrite pour l'échange des ratifications de la convention relative au Golfe Persique et aux pays environnants, conclue à Londres le 29 juillet, 1913;

Ont nommé pour leurs Plénipotentiaires, savoir:

Sa Majesté le Roi du Royaume-Uni de Grande-Bretagne et d'Irlande et des Territoires Britanniques au delà des Mers, Empereur des Indes: Le Très Honorable Sir Edward Grey, Baronnet du Royaume-Uni, Chevalier du Très Noble Ordre de la Jarretière, Membre du Parlement, Principal Secrétaire d'État de Sa Majesté pour les Affaires Étrangères;

Sa Majesté l'Empereur des Ottomans: Son Altesse Ibrahim Hakky Pacha, ancien Grand Vézir, décoré des Grands Cordons des Ordres Impériaux de l'Osmanié et du Medjidié en brillants;

Lesquels, s'étant communiqué leurs pleins pouvoirs, trouvés en bonne et due forme, sont convenus de ce qui suit:

Puisqu'il n'est pas encore possible d'effectuer l'échange des ratifications de la convention relative au Golfe Persique et aux pays environnants les Hautes Parties Contractantes conviennent de prolonger jusqu'au 15 février, 1914, le terme indiqué à l'article 18 de ladite convention, pour l'accomplissement de cette formalité.

En foi de quoi, les Plénipotentiaires respectifs ont signé la présente convention supplémentaire et y ont apposé leurs cachets.

Fait à Londres, en double original, le 10 décembre, 1913.

(L.S.) E. GREY.
(L.S.) I. HAKKY.

[55921] No. 238.

Sir L. Mallet to Sir Edward Grey.—(Received December 11.)

(No. 614. Confidential.)
(Telegraphic.) *Constantinople, December 11, 1913.*

I ASKED Talaat to-day about Grand Vizier's health, as he has been absent for two days, and it was asserted everywhere that he had resigned. He smiled and said that his health was not seriously affected and that he would be back at work on Monday.

There have doubtless been differences in the Cabinet, probably about Armenian reforms, the Grand Vizier favouring some concessions to the Powers. It is rumoured that very little will be accorded, and this may be the cause of report of resignation. But I know nothing for certain.

Djemal Bey, who is temporarily in command of the 1st Army Corps and is one of the strongest men, will enter the Cabinet, taking Osman Nizami's place at Public Works.

Osman Nizami will go as Ambassador to St. Petersburgh.

[55922] No. 239.

Sir L. Mallet to Sir Edward Grey.—(Received December 11.)

(No. 615.)
(Telegraphic.) R. *Constantinople, December 11, 1913.*

YOUR telegram No. 569 of 9th December.

On learning this morning that the Council of Ministers desired to change the wording of article 10, substituting for the words (end of R.) "d'autre part" (R.) to the words "l'Euphrate" the words (end of R.) "Le Gouvernement exploitera le service d'irrigation de façon à réduire toute entrave à la navigation au minimum possible" (R.), I visited Talaat Bey, and urged signature without further change. (End of R.)

He finally told me that he had been in favour of our wording, but there had been great objection. If, however, we absolutely refused the smallest change they would give way. This was in absolute confidence, and I should not like Hakki Pasha to know that I have it from Talaat Bey. They are genuinely anxious to lessen this clause and frighten the irrigation concessionnaires.

Talaat asked why Lord Inchcape should not interest himself in the irrigation concession as well in the riverain. He would welcome his co-operation.

If some slight change of wording could be made to help Talaat I should be glad, but if not they will sign.

The Minister for War was strongly opposed to the wireless telegraphy clause in article 35.

[55923] No. 240.

Sir L. Mallet to Sir Edward Grey.—(Received December 11.)

(No. 616. Confidential.)
(Telegraphic.) *Constantinople, December 11, 1913.*

I SPOKE to Talaat about Italian schemes in Adalia in the sense of your telegram No. 551 of 22nd November. He said that they had to give Italy something to get them out of the islands. The Italians said that they could not go without something on account of public opinion. He promised to let me know if any negotiations were started.

[55924] No. 241.

Sir R. Rodd to Sir Edward Grey.—(Received December 11.)

(No. 220.)
(Telegraphic.) *Rome, December 11, 1913.*

YOUR telegram No. 366 of 11th December.

My despatch No. 337, now on the way by messenger, explains much more fully than my telegram the views of the Minister for Foreign Affairs. Correlation of islands question with mainland expansion was not apparently introduced so much from the point of view of bargaining as with an eye to home consumption and for making evacuation more palatable to the Nationalist party here. I was given to understand that there is no definite concession to Italy yet. Meanwhile I will dwell on the views expressed in your telegram at my next interview.

[55767] No. 242.

Sir Edward Grey to Sir L. Mallet.

(No. 572.)
(Telegraphic.) R. *Foreign Office, December 11, 1913.*

YOUR telegram No. 640 of 10th December : River concession.

Hakki Pasha has not received instructions. He has fixed 12th December for signature, and it is essential that there should be no further postponement. The property of Bagdad and Zor will be subject of a separate agreement.

[55119] No. 243.

Sir Edward Grey to Sir R. Rodd.

(No. 366.)
(Telegraphic.) *Foreign Office, December 11, 1913.*

YOUR Excellency's telegram No. 218 of 6th December.

It will not do to connect schemes of Italian expansion on mainland of Asiatic Turkey with the question of Italian evacuation of the islands. Respecting the islands, Italian Government have given us repeated and solemn assurances, which we cannot how be expected to treat as contingent on extraneous conditions under which Italy would obtain compensation in some other form elsewhere.

Apart from this, the policy of His Majesty's Government, and we believe of other Powers interested in Turkey, is altogether opposed to the division of Turkish territory into defined spheres of interest, which would be tantamount to the disintegration of the Ottoman Empire. It is accordingly desirable to restrict discussion to the consideration of particular concessions in particular places, a course which has been followed in respect to German and French railway schemes.

If the Italian Government are right in holding that their Adalia concession does not encroach upon the district of the Smyrna–Aidin Railway, they should have no difficulty in coming to an amicable arrangement with the British company, but the mention of harbour works at Adalia and local lines starting from that port for the interior makes it very doubtful whether the view is in fact accurate; for such enterprises would, so far as I am able to judge, undoubtedly run counter to the letter and spirit of the British company's concession, and would seriously compromise their position.

The situation is made needlessly difficult for us by our remaining in ignorance of the precise terms of the Italian concession.

Your Excellency should, in speaking to the Italian Minister for Foreign Affairs, bring the above views to his notice, and endeavour to obtain a copy of their concession.

[56096] No. 244.

Lord Rathmore (Ottoman Railway from Smyrna to Aidin) to Mr. Parker.—(Received December 12.)

Winchester House, Old Broad Street, London,
Dear Mr. Alwyn Parker, *December 10, 1913.*

REFERRING to the wish you expressed that I should provide you with a statement setting out the facts connected with claims now being put forward by the Ministry of the Evkaf and by other parties for the handing over to them of the lands upon which a considerable portion of the company's terminal station at Smyrna has been erected, and that the company should for that purpose pull up the lines of our railway and remove the station buildings now standing on the premises, I cannot, I think, give you a more clear and concise statement than you will find in the following copy of a letter which I had the honour of addressing on the 28th January, 1910, to his Highness Hakki Pasha, who was then Grand Vizier at Constantinople.

[See "Asiatic Turkey and Arabia" Print, December 4, Section 3, Enclosure 2.]

After the receipt by the Grand Vizier of that letter further proceedings against our company were for the time abandoned, and I cannot myself avoid the conclusion that this cessation may have been due to a wise exercise of influence on the part of his Highness.

The council have, however, lately been informed by the general manager at Smyrna that a subsidiary claim arising out of that of Saadi Bey was made by the Evkaf Ministry, when they commenced an action against the company on the 23rd April of this year, and that a judgment was given by the hakim on the 21st June in the company's favour, the judge basing his decision on article 1660 of the "Medjelle," and that, following upon this, the hakim, Ibrahim Ferid Effendi, was dismissed from his post.

Subsequently the council has learned by a letter from the general manager, dated the 20th November, that the judgment of the hakim of Smyrna against the Evkaf having been set aside by the Court of Appeal at Constantinople, the process against the company is about to be reopened in Smyrna. In the very voluminous judgment of the hakim the pleadings are cited, and I am further informed by our lawyer at Smyrna that a copy of these pleadings embodied in the judgment sent to Constantinople represents the hakim as stating that the old judgment by default had become definite, whereas he has always pleaded the contrary, and his pleadings to that effect are signed by him in the registry-book of the court. At the same time one of the heirs of Saadi Bey, Ayeshe Nitre, is about to reopen the suit in the Civil Court, claiming the price of the land. In the document by which the company is cited, she is described, doubtless with a view to influence the Court, as the mother of Ali Fuad, First Secretary of the Sultan.

I venture to submit to you, as I did to the Grand Vizier in my letter of the 28th January, 1910, above quoted, that a repetition of these hostile proceedings must discourage my company in its desire to further extend its useful work in Asia Minor, and increase the difficulty of appealing to the public for further funds, and it seems strange that at a moment when the Ottoman Government is carrying on friendly negotiations with the British Government this serious blow should be aimed at the most important British enterprise in the Sultan's dominions. I confidently hope that when the above facts are brought to the notice of his Highness Hakki Pasha, he will take measures to permanently relieve the company of this constant and formidable menace.

Yours faithfully,
RATHMORE.

[56009] No. 245.

Messrs. Slaughter and May to Foreign Office.—(Received December 12.)

Sir, 18, *Austin Friars, London, December* 11, 1913.

WE have to acknowledge the receipt of your letter of the 9th instant, which we at once transmitted to our clients, and have now their instructions. They have considered the copies of the letters enclosed in your letter now under reply, and their views are:—

They do not understand, nor do we, what is involved by Lord Inchcape's suggestion that if he and Mr. Lynch disagree Lord Inchcape's views are in the first instance to prevail. What our clients and we have agreed to is, what they and we think should be adhered to, namely, that the regulations of the Management Company should provide that in case of disagreement between Lord Inchcape and Mr. Lynch the matter should not be proceeded with until determined by a referee to be named in the statutes. Any other procedure would involve the conduct of the Management Company being, so to speak, liable to be reversed by the referee on appeal, and might cause unfortunate complications.

We are instructed to add that Mr. Lynch anticipates, equally with Lord Inchcape, that the possibility of divergence of opinion is extremely remote.

As regards the Belgian Company, our clients concur that if for any unforseen reason it proves impossible to carry out the transfer of the management of the Belgian Company to the New Management Company, there would be reason for an adjustment of the sum of 5,000*l.* mentioned in Lord Inchcape's letter, but that 5,000*l.* would, if it were paid, be payable as described in your letter of the 15th ultimo, namely, partly in consideration of the emoluments of the management of the Belgian Company, and partly of proposal No. 4 in Sir Edward Grey's memorandum of the 19th May.

There therefore does not appear either to our clients or ourselves any reason for interfering with what has been a cardinal principle throughout, that in the New Management Company to deal with the affairs of the Ottoman Company and the Euphrates and Tigris Company the shares of Lord Inchcape and Mr. Lynch should be equal and identical.

The question of the inclusion of the Belgian Company was, as you are aware, raised at a late date, and was accepted by our clients to meet the views of the Foreign Office, without pressing the suggested compensation in the shape of the transhipment of cargo at Basra, but the basis of equal division of the shares in the Management Company had been accepted by Lord Inchcape long previously, and cannot now be reconsidered.

We shall be obliged if you will kindly let us have a copy of the draft statutes of the proposed New Ottoman Company and a copy of the draft convention, which will of course be treated as absolutely confidential.

We are, &c.

SLAUGHTER AND MAY.

[55922] No. 246.

Sir Edward Grey to Sir L. Mallet.

(No. 575.)

(Telegraphic.) R. *Foreign Office, December* 12, 1913.

IN deference to Talaat Bey's statement, as reported in your Excellency's telegram No. 615 of 11th December, I have induced Lord Inchcape to agree to cancel words in article 35 about wireless telegraphy, and to cancel objectionable words in article 10, substituting following:—

"D'autre part, le Gouvernement Impérial ottoman exploitera le service d'irrigation de façon à ne pas entraver la navigation sauf pendant les périodes de sécheresse absolue, et, même pendant de telles périodes, de façon à réduire toute entrave au minimum strictement possible."

I feel sure that in practice Ottoman Government will find Lord Inchcape very reasonable in regard to this matter, and I will approach his Lordship about question of his taking an interest in the irrigation projects

Please convey to Ottoman Government my great appreciation of their decision in regard to this difficulty.

[56145] No. 247.

Concession pour la Navigation sur le Tigre et l'Euphrate.

ENTRE son Altesse Hakky Pacha, le représentant dûment autorisé du Gouvernement Impérial ottoman, d'une part, et le très Honorable James Lyle, Baron Inchcape, G.C.M.G., K.C.S.I., K.C.I.E. (ci-après dénommé "le concessionnaire"), d'autre part, il a été convenu ce qui suit:—

1. Le Gouvernement Impérial ottoman accorde au concessionnaire:

(*a.*) Le droit exclusif de navigation tel qu'il est défini aux articles 4, 5 et 6 des présentes.

(*b.*) La liberté de navigation telle qu'elle est définie aux articles 8, 9 et 12 des présentes.

(*c.*) L'autorité et le droit d'exécuter la totalité ou toute partie des travaux, et de prendre la totalité ou l'une quelconque des mesures définies aux articles 10 et 12 des présentes.

(*d.*) L'autorité et le droit de faire exécuter et appliquer les règles et règlements définis aux articles 11 et 12 des présentes.

(*e.*) L'exemption des taxes définie à l'article 13 des présentes.

(*f.*) Le droit de transférer le bénéfice de la présente concession ainsi qu'il est requis à l'article 3.

2. Le concessionnaire s'oblige à constituer, avec toute la diligence raisonnable et conformément aux dispositions de l'article 3, une société ottomane (ci-après dénommée "la société" et ce terme comprendra, lorsque le contexte le permettra, ses ayants droit) à l'effet d'exercer les droits et facultés accordés par les présentes, et le Gouvernement Impérial ottoman s'oblige à accorder toutes les facilités nécessaires à la constitution de ladite société avec le minimum de retard possible: dans le cas où le concessionnaire manquerait de constituer ladite société dans un délai de deux ans à partir de la date de la signature de la présente concession, il sera passible d'une amende de £T. 100 pour chaque mois solaire écoulé entre l'expiration dudit délai de deux ans et la date de la constitution de ladite société, à la condition toutefois que telle amende ne sera pas exigible si la non-constitution de la société est due soit entièrement, soit en partie, soit directement, soit indirectement, à quelque cause que ce soit hors du contrôle personnel du concessionnaire.

3. Aussitôt que possible, et pas plus tard qu'un an après la constitution de la société, le concessionnaire devra, après que la société l'aura indemnisé de tous frais, dépenses et obligations encourus dans et au sujet de l'obtention de la présente concession, en constituant la société ou autrement dans l'exercice ou dans la préparation de l'exercice des droits et facultés accordés par les présentes, transférer à la société le bénéfice de la présente concession, et tous droits et intérêts acquis par le concessionnaire en vertu de cette concession, à la condition que si le transfert de la concession est remis à une date plus tard qu'un an après la constitution de la société par suite d'une cause quelconque hors du contrôle personnel du concessionnaire, celui-ci n'en sera pas tenu responsable et aucun préjudice ne sera en conséquence porté à ses droits tels qu'ils découlent des présentes.

4. Le droit exclusif accordé en vertu de l'article 1er (*a*) des présentes est le droit exclusif de naviguer sur les eaux, définies à l'article 5, au moyen de navires ou embarcations de toute nature entièrement ou partiellement actionnés par la vapeur, par des moteurs à combustion interne, par la force motrice électrique ou par toute autre force motrice mécanique, et avec ou sans autres navires ou embarcations en remorque.

A la condition que rien, dans les présentes, ne soit interprété comme s'étendant à la navigation entreprise seulement pour des usages autres que le trafic ou le commerce, ou à des navires de plaisance privés non destinés à la location.

A la condition également que rien dans les présentes ne porte atteinte en aucune

manière aux facultés dont jouissent actuellement Messrs. Lynch ou leurs ayants droit en ce qui concerne la navigation sur les fleuves du Tigre et de l'Euphrate, lesquelles facultés telles qu'elles sont citées dans la première annexe aux présentes, sont entièrement réservées.

A la condition également que rien dans ces présentes ne porte atteinte aux droits existants de la Société du Chemin de Fer de Bagdad en ce qui concerne le transport, seulement pendant la durée de construction, des matériaux nécessaires pour la construction et l'exploitation de sa ligne et de ses embranchements, ainsi que le transport de ses agents et de ses ouvriers.

A la condition également que la Société du Chemin de Fer de Bagdad aura la faculté d'employer à Bagdad, pour le seul service du chemin de fer, des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum et des bacs (ferry-boats) d'un tonnage supérieur; et que ladite Société, ou la Société du port de Bagdad si telle Société est constituée, aura la faculté d'employer à Bagdad des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum pour le seul transport de son personnel, de ses ouvriers et de son matériel.

Partout ailleurs où le besoin s'en ferait sentir, soit sur le Tigre, soit sur l'Euphrate, la société s'engage, sur la demande du Gouvernement Impérial ottoman, à se charger de tout service de bacs, à établir pour les fins du Chemin de Fer de Bagdad, selon des conditions, et aux endroits, à déterminer de temps en temps par contrat spécial avec la Société du Chemin de Fer de Bagdad.

5. Les eaux, à l'égard desquelles le droit exclusif est accordé, sont les eaux du Tigre à et entre Mosoul et Kurna, tous deux inclus, et les eaux de l'Euphrate à et entre Meskineh et Kurna, tous deux inclus, et toutes les eaux qui sont ou pourront dans la suite devenir navigables et qui sont ou pourront dans la suite être reliées, soit avec le Tigre à ou entre Mosoul et Kurna, tous deux inclus, soit avec l'Euphrate à et entre Meskineh et Kurna, tous deux inclus.

6. Le droit exclusif commencera à la date à laquelle le transfert de biens prévu aux articles 16 et 31 aura lieu, et continuera pendant la période de soixante ans à partir de cette date, et après celle-ci pendant des périodes successives de dix ans, à moins que, cinq ans au moins avant l'expiration de ladite période de soixante ans ou de l'une quelconque desdites périodes de dix ans, avis ne soit donné par écrit à la société de l'intention du Gouvernement Impérial ottoman de mettre fin au droit exclusif à la fin de la période au cours de laquelle l'avis est donné.

7. Le Gouvernement Impérial ottoman s'oblige d'une façon générale à prendre toutes les mesures nécessaires pour que les opérations du concessionnaire et de la Société ne soient pas entravées, à ne pas accorder à des tiers des droits en contradiction avec ceux accordés par les présentes au concessionnaire, et à empêcher toute violation de ceux-ci.

8. La faculté accordée en vertu de l'article 1er (b) des présentes, est la faculté non restreinte de naviguer sur les eaux définies à l'article 9 au moyen de navires et embarcations de toute nature de telle manière que la société, à sa libre discrétion, pourra juger la meilleure, et en particulier sans restriction ou condition en ce qui concerne le nombre, genre, mode de propulsion ou de remorquage ou de traction des navires employés, d'entrer et de séjourner dans les ports et endroits auxquels lesdites eaux donnent accès, de transborder des passagers, des marchandises ou du bétail, d'un navire à un autre, à tout endroit sur lesdites eaux de la manière et aux conditions que la société pourra fixer de temps à autre, et, en général, de faire tous actes se rapportant raisonnablement à l'entreprise d'une société de navigation exerçant sur lesdites eaux. Il est toutefois entendu que les passagers, les marchandises et le bétail ne peuvent être embarqués ou débarqués que dans les endroits désignés à cet effet, à la condition que, au cas où la Société se déciderait à établir un débarcadère à un endroit où il n'en existait pas auparavant, un avis préalable de cette intention soit dûment communiqué au Gouvernement Impérial ottoman, qui fournirait la police et, le cas échéant, le bureau et les employés de douane y nécessaires.

9. Les eaux à l'égard desquelles ladite faculté est accordée sont les eaux définies à l'article 5 ainsi que les eaux à et entre Kurna et la mer.

10. L'autorité et le droit accordés en vertu de l'article 1er (c) des présentes sont l'autorité et le droit de draguer ou d'approfondir et d'améliorer de toute autre manière le lit ou parcours de tous cours d'eau qui sont compris ou, s'ils étaient rendus navigables, seraient compris dans la description contenue dans l'article 5 des présentes ou d'améliorer la navigation de ces eaux, et d'éclairer, de munir de bouées ou autrement de prendre des mesures pour la sûreté et la commodité de la navigation sur lesdites eaux.

A la condition que rien dans les présentes et qu'aucun acte connus conformément

aux présentes ne soit censé imposer aucune obligation ou devoir à la société d'exécuter tous travaux, de prendre toutes mesures de cette nature ou d'accomplir toute autre obligation ou devoir quelconque. Il est toutefois entendu que si le Gouvernement Impérial ottoman demande à la société d'entreprendre des travaux de cette nature et que celle-ci ne veut pas s'en charger, ledit Gouvernement aura la faculté de les exécuter, mais de manière à ne pas entraver la navigation.

A la condition également que rien dans les présentes ne sera censé accorder à la Société aucun droit d'approfondir ou d'améliorer les lits de canaux ou de cours d'eaux existant actuellement ou qui pourront être créés dans la suite par le Gouvernement Impérial ottoman aux fins d'irrigation sans la permission dudit Gouvernement préalablement obtenue, et qu'aucuns travaux entrepris par le concessionnaire ne seront de nature à entraver les travaux d'irrigation entrepris par ledit Gouvernement. D'autre part, le Gouvernement Impérial ottoman exploitera le service d'irrigation de façon à ne pas entraver la navigation sur le Tigre et l'Euphrate sauf pendant les périodes de sécheresse absolue et, même pendant ces périodes, ladite exploitation s'effectuera de façon à réduire toute entrave à la navigation au minimum strictement possible; mais les entraves occasionnelles et inévitables de courte durée ne seront pas considérées comme comprises dans cette condition; aux fins de ce paragraphe, les barrages avec des écluses de dimensions suffisantes à la navigation ne seront pas considérés comme des entraves à celle-ci.

11. En vue de jouir de l'autorité et du droit accordés en vertu de l'article 1er (d) des présentes, la société pourra établir tout règlement nécessité par les exigences de son service intérieur; elle aura aussi le droit de faire et d'appliquer les règles et règlements qu'elle jugera utiles pour la réglementation et la conduite de la navigation sur les cours d'eaux qui sont compris, ou, s'ils étaient rendus navigables, seraient compris, dans la description contenue dans l'article 5 des présentes. Ces règles et règlements ne seront appliqués, en tant qu'il ne s'agit du service intérieur, qu'après avoir reçu la sanction du Gouvernement Impérial ottoman. Cette sanction sera accordée avec toute la célérité que le cas comporte.

A la condition que ces règles et règlements ne s'appliquent pas à la navigation sur lesdites eaux par le Gouvernement Impérial ottoman pour l'usage naval ou militaire de l'Empire ottoman.

A la condition également que ces règles et règlements ne portent pas atteinte aux facultés dont jouissent actuellement Messrs. Lynch ou leurs ayants droit.

A la condition également que ces règles et règlements ne portent pas atteinte aux facultés dont jouit la Société du Chemin de Fer de Bagdad conformément à l'article 4 des présentes.

12. Les autorités et droits accordés par les présentes et définis par les articles 10 à 11 des présentes, sont accordés pour une période de quatre-vingt-dix-neuf ans à partir de la date de la signature de la présente concession, et à l'expiration de cette période ils pourront être renouvelés pour une période à convenir au choix du Gouvernement Impérial ottoman.

Dans le cas où ledit Gouvernement ne voudra pas renouveler lesdits autorités et droits, il incombera à celui-ci de se charger des travaux nécessaires pour le maintien de la navigabilité des eaux pour les navires de la société qui seront employés sur lesdites eaux à la date de la terminaison desdits autorités et droits.

Les droits, facultés, autorités et exemptions accordés par les présentes (autres que ledit droit exclusif défini par les articles 4, 5, 6 des présentes, la franchise des droits de douane accordée par l'article 13 des présentes, et les autorités et droits définis par les articles 10 et 11 des présentes) sont accordés à perpétuité.

13. Le concessionnaire et la société seront libres de toute espèce de taxe, charge, impôt, droit, redevance ou répartition, imposé, prélevé, ou chargé actuellement, ou devant l'être dans la suite à un moment quelconque, par le Gouvernement Impérial ottoman, les autorités locales, les municipalités, les commissions fluviales, ou les autres corps constitués quelconques, tant sur l'exercice des droits, facultés et autorités accordés par les présentes que sur le sol, les édifices, les navires, le matériel, les fonds et les autres biens et les revenus; à l'exception (1) des droits revenant aux vacoufs, (2) des taxes municipales imposées en rémunération des services rendus, (3) des taxes établies pour les frais d'amélioration du cours du Chatt-el-Arab, en tant que les navires de la société en profiteraient directement et se trouveraient ainsi dans le cas de les payer, eu égard, bien entendu, au tarif réduit qui sera appliqué impartialement par la commission *ad hoc* à tous les navires exclusivement affectés à la navigation fluviale; (4) les impôts afférents à tout immeuble de rapport que la société aura dans sa possession en dehors des exigences de son service.

Les matériaux, fers, bois, houille, machines, voitures, wagons, et autres approvisionnements et munitions, nécessaires au premier établissement, ainsi qu'au bon entretien et à l'augmentation éventuelle du service fluvial, que le concessionnaire ou la société achètera dans l'Empire ottoman ou qu'il fera venir de l'étranger, seront toujours exempts de tous impôts intérieurs et de tous droits de douane. Les navires et embarcations de toute nature nécessaires de temps en temps au service fluvial seront également exempts de tous impôts intérieurs et de tous droits de douane.

La franchise des droits de douane est expressément limitée à une période de quatre-vingt dix neuf ans à partir de la date de la signature des présentes, à moins qu'elle ne soit renouvelée par le Gouvernement Impérial ottoman en considération des services rendus par la société.

La franchise des droits de douane sur les combustibles est accordée pour une période de vingt ans à partir de la signature des présentes, et à l'expiration de cette période la Société sera exempte de tout droit de douane sur les combustibles pour toute année où le bénéfice net de la Société (abstraction faite de tous frais, y compris ceux d'administration, d'exploitation, de dépréciation, et les dividendes à payer sur les actions de priorité et sur les obligations) n'aura pas dépassé une somme suffisant à payer un dividende moyen de 9 pour cent par an sur le montant effectivement versé des actions ordinaires pour toute année écoulée depuis la date de sa constitution. Il est toutefois entendu que lesdits droits de douane ne seront prélevés que sous la réserve que le bénéfice à distribuer n'en soit réduit à un taux inférieur à 9 pour cent.

Il ne sera perçu aucun droit de timbre sur le présent contrat ni sur les statuts de la société ni sur les conventions additionnelles ni sur les actes subséquents. Le concessionnaire ou la société sera soumis au droit de timbre pour toutes les actions, les actions de priorité, les obligations, ou sur les autres titres de n'importe quelle espèce; le concessionnaire ou la société sera aussi soumis au droit de timbre pour toutes ses opérations autres que celles pour lesquelles la franchise lui est accordée par les présentes.

Il ne sera imposé, prélevé, ou établi, par le Gouvernement Impérial ottoman ou par aucune autorité locale, municipalité, commission fluviale, ou autre corps constitué quelconque, aucune taxe, ou autre charge quelconque, sur les voyageurs, le bétail ou les marchandises, ou à leur égard, à l'occasion de leur transport par les bâtiments, ou de leur passage par les établissements, de la société, soit à leur entrée, soit à leur sortie, à moins que lesdites taxes et charges ne soient également perçues sur, ou à l'égard de, tous les voyageurs, marchandises ou bétail transportés par tous autres moyens de transport.

14. Les statuts de la société seront soumis à l'approbation du Gouvernement Impérial ottoman. Les statuts ainsi que la constitution de la société s'accorderont, autant que possible, avec le type modèle prescrit pour les Sociétés anonymes ottomanes, lequel type modèle sera combiné (sous réserve de tout contrat entre le Gouvernement Impérial ottoman et le concessionnaire ou la société à l'effet du contraire) avec les dispositions spéciales ci-dessous énoncées et numérotées (*a*)–(*k*), ainsi qu'avec les autres dispositions spéciales de ces présentes:—

(*a*.) Il y aura un président de la société, qui devra être un sujet ottoman nommé par le Gouvernement Impérial ottoman.

(*b*.) Le président, ou en son absence le président du conseil d'administration, devra présider toutes les assemblées générales des actionnaires, et en cas d'égalité de voix il aura une voix prépondérante en addition à la voix ou aux voix auxquelles il pourra avoir droit en qualité d'actionnaire.

(*c*.) Tout actionnaire (sous réserve de toutes conditions spéciales, approuvées et par le président du conseil d'administration et par le Gouvernement Impérial ottoman, relativement au vote auxquelles un nouveau capital pourra être émis) aura une voix en raison de chaque action détenue par lui à toute assemblée générale des actionnaires, en tant que le président de la société n'aura pas décidé que les actionnaires voteront par unités. Dans le sens du présent article, les actionnaires britanniques constitueront une unité, et les autres actionnaires constitueront l'autre unité. Chaque unité ainsi constituée aura une voix, qui sera donnée conformément au désir de la majorité des membres de cette unité présents à cette assemblée générale; et, dans le cas où ces membres seraient également divisés, le président du conseil d'administration ou, en son absence, le vice-président du conseil d'administration, dans le cas des actionnaires britanniques, et le président de la société, dans le cas des autres actionnaires, auront respectivement droit à une voix prépondérante pour déterminer le sens du vote de cette unité.

En cas d'égalité de voix à toute assemblée générale des actionnaires à laquelle les

actionnaires votent par unités, le président de la société aura une voix prépondérante en addition à la voix de son unité.

(*d*.) Le Gouvernement Impérial ottoman nommera la moitié des premiers administrateurs de la société. L'autre moitié des premiers administrateurs de la société seront nommés par le concessionnaire. Après la première nomination, toute place vacante qui viendrait à se produire parmi les administrateurs nommés par le Gouvernement Impérial ottoman sera remplie par un nouveau directeur à nommer par ledit Gouvernement, et toute place vacante parmi les autres administrateurs sera remplie par un nouveau directeur à nommer par le président du conseil d'administration.

A la condition que rien dans les présentes n'empêche le conseil d'administration (ci-après dénommé "le conseil") de fonctionner à un moment quelconque durant lequel la constitution du conseil ne sera pas conforme à la disposition mentionnée en dernier lieu.

Chaque administrateur aura une voix à toute assemblée du conseil en tant que le président du conseil, ou, en son absence, le vice-président du conseil, n'aura pas décidé que les administrateurs voteront par unités. Dans le sens du présent article, les administrateurs nommés par le Gouvernement Impérial ottoman constitueront une unité, et les autres administrateurs constitueront l'autre unité.

Chaque unité ainsi constituée aura une voix, qui sera donnée conformément au désir de la majorité des membres de cette unité présents à cette assemblée; et, dans le cas où ces membres seraient également divisés, le président de la société dans le cas des administrateurs nommés par le Gouvernement Impérial ottoman et le président du conseil d'administration ou, en son absence, le vice-président du conseil d'administration, dans le cas des autres administrateurs, auront respectivement droit à une voix prépondérante pour déterminer le sens du vote de cette unité.

En cas d'égalité de voix à toute assemblée du conseil à laquelle les administrateurs votent par unités, le président du conseil d'administration, ou, en son absence, le vice-président du conseil d'administration, aura une voix prépondérante en addition à la voix de son unité.

Le conseil pourra déterminer le quorum nécessaire pour constituer une assemblée du conseil, à la condition que la présence de deux des administrateurs nommés par le concessionnaire ou par le président du conseil d'administration soient toujours requis pour constituer un quorum.

(*e*.) Le président du conseil d'administration et le vice-président du conseil d'administration devront toujours être sujets britanniques. A chaque séance du conseil le président, s'il est présent, ou, en son absence, le vice-président, présidera; et aura, en cas d'égalité de voix, à toute séance du conseil, une voix prépondérante en addition à sa voix ordinaire en qualité d'administrateur. Le premier président du conseil d'administration sera le concessionnaire, qui conservera cette fonction à son gré. A la mort ou à la démission de tout président du conseil le vice-président succédera à sa place, et, dans le cas où il n'y aura pas de vice-président, le président du conseil d'administration sera élu par les voix des administrateurs nommés par le concessionnaire ou le président du conseil. Le premier vice-président sera nommé par le concessionnaire, qui aura qualité pour le révoquer à sa discrétion, et tout vice-président ultérieur sera nommé par le président du conseil d'administration, qui aura qualité pour le révoquer à sa discrétion.

(*f*.) La société adoptera tous contrats ou toutes conventions provisoires pour la nomination de directeurs, gérants ou agents faits par le concessionnaire au nom de la société avant son incorporation.

(*g*.) Sous réserve des dispositions contenues dans les présentes, l'entière conduite et l'entière direction des affaires de la société seront confiées au conseil.

(*h*.) Les pouvoirs du conseil ne pourront être contrôlés, limités ou étendus que par une délibération passée par une majorité non inférieure aux trois quarts des membres de la société ayant le droit de voter présents en personne ou par procuration à une assemblée générale de la société, et les statuts de la société ne pourront être modifiés que par une telle délibération. Toutefois en tant que les statuts à modifier seront relatifs aux clauses de ces présentes, ils ne seront pas susceptibles de modifications qu'à la suite d'un accord intervenu entre la société, le président du conseil d'administration et le Gouvernement Impérial ottoman.

(*i*.) Le bureau central de la société sera à Constantinople: celle-ci pourra établir des sièges dans d'autres villes de l'Empire ottoman ou à l'étranger. Le conseil d'administration se réunira, selon sa propre décision, dans un des sièges de la société, et le lieu de réunion de l'assemblée générale des actionnaires devra être déterminé chaque fois par le conseil d'administration.

(*j.*) Aucun transfert d'actions de la société ne sera valable avant d'avoir été approuvé par le conseil, et, si le cédant est un sujet britannique, également par le président du conseil. Toute approbation de cette nature pourra être donnée ou refusée à la discrétion absolue du conseil ou du président du conseil, suivant le cas, et sans qu'ils soient tenus de déclarer la raison d'un tel refus.

A la condition que, dans le cas où le cédant n'est pas un sujet ottoman, aucun transfert ne puisse être approuvé jusqu'à ce que les actions en question aient été d'abord offertes à et refusées par un ou plusieurs sujets britanniques approuvés par le président du conseil d'administration, et dans la suite offertes à un ou plusieurs sujets ottomans approuvés par le Gouvernement Impérial ottoman et dans le cas où le cédant est un sujet ottoman, aucun transfert ne puisse avoir lieu que si l'acheteur est un sujet ottoman approuvé par le Gouvernement Impérial ottoman.

Toute action offerte doit être libre de toute charge ou obligation quelconque; la vente ne doit comporter aucune condition ou restriction autre que celles afférentes aux actions en vertu des statuts de la société; et l'offre doit se faire à un cours convenable, ou s'il n'y a pas de cote, au prix que le conseil fixera comme étant la valeur convenable de ces actions.

Toute offre de cette nature sera censée avoir été refusée si elle n'est pas acceptée dans un délai d'un mois à partir de sa communication au Gouvernement Impérial ottoman ou au concessionnaire ou au président du conseil d'administration, suivant le cas.

Il ne sera pas émis d'actions ou de titres d'actions déclarant que le porteur de ceux-ci a droit aux actions y spécifiées, ni de certificats d'actions comprenant ou portant au dos un acte de transfert. Aucune action ne sera transférable autrement que par un acte de transfert enregistré dans les livres de la société.

(*k.*) Les statuts pourront contenir les dispositions que le concessionnaire jugera appropriées à l'égard des objets suivants, à savoir:—

(1.) Pour déterminer les conditions auxquelles (s'il y en a) toute corporation sera autorisée à devenir actionnaire de la société.

(2.) Pour assurer qu'aucune action de la société ne sera tenue par le détenteur de cette action, directement ou indirectement, en qualité de dépositaire au nom, pour le bénéfice, pour le compte ou sous le contrôle de toute autre personne ou autres personnes ou corporations quelconques non approuvées expressément par le conseil, et aussi pour permettre au conseil de prévenir toute infraction à cette disposition en ordonnant le transfert obligatoire des actions par le détenteur, ou autrement comme le conseil le jugera convenable.

15. Les statuts contiendront en outre des dispositions pour assurer que le nombre d'actions émises par la société lors de la première répartition sera partagé en proportions égales, parmi des sujets ottomans et britanniques. Dans le but de fixer le montant du capital-actions initial à libérer, de manière à suffire aux besoins de la société, le conseil pourra établir à l'égard du montant à payer sur les actions émises à des sujets britanniques les dispositions qu'il jugera appropriées, et pourra dans la suite établir relativement à des appels de nouveaux payements sur ces actions les dispositions qu'il jugera convenables le cas échéant.

Il est bien entendu que tout dividende à payer doit être en proportion des sommes effectivement versées par les actionnaires et que toutes actions nouvelles à émettre doivent être proposées tout d'abord pour souscription aux anciens actionnaires en proportion des actions détenues par eux. La société peut émettre, sur la demande du conseil d'administration et par décision de l'assemblée générale, des actions de priorité à intérêt fixe et sans participation aux bénéfices ou des obligations. Mais aucune émission de nouvelles actions ordinaires n'aura lieu tant que le montant intégral des actions ordinaires originales n'ait été effectivement versé.

16. A une date (ci-après dénommée date du transfert) qui sera fixée dans la suite par le Gouvernement Impérial ottoman et le concessionnaire, et qui ne sera pas, sauf avec le consentement du concessionnaire, postérieure de plus de deux mois solaires à la date de la constitution de la société, le Gouvernement Impérial ottoman (ou le concessionnaire si le transfert mentionné à l'article 31 a déjà eu lieu) transférera à la société, libres de toutes hypothèques, charges, retenues ou autres obligations:—

(*a.*) Les biens sur lesquels le Gouvernement Impérial ottoman possède tout droit ou intérêt énuméré dans la première partie de la seconde annexe aux présentes

(*b.*) Les autres biens que le concessionnaire choisira conformément à l'article 17 des présentes.

(*c.*) Le bénéfice de ceux d'entre les contrats énumérés dans la seconde partie de la seconde annexe aux présentes que le concessionnaire choisira pour être transférés.

Tous les biens devant être transférés par le Gouvernement Impérial ottoman à la Société seront aux risques et périls du Gouvernement Impérial ottoman jusqu'à ce qu'ils soient effectivement transférés à la société.

17. Immédiatement après la signature de la présente concession le Gouvernement Impérial ottoman et le concessionnaire nommeront chacun un agent, et les agents ainsi nommés prépareront conjointement une liste détaillée (ci-après dénommée Liste (A)) des biens compris dans la première partie de la seconde annexe, ainsi qu'une liste (ci-après dénommée Liste (B)) des autres biens du Gouvernement Impérial ottoman employés dans les affaires de navigation sur les eaux définies à l'article 9, que le Gouvernement Impérial ottoman est disposé à transférer, mais qui ne sont pas compris dans la première partie de ladite annexe, et également, autant qu'il sera possible, considérant le fait que la date du transfert pourra ne pas être déterminée, une liste (ci-après dénommée Liste (C)) des contrats compris dans la deuxième partie de ladite annexe, avec des indications détaillées en ce qui concerne les termes desdits contrats. Toutes corrections dans la liste mentionnée en dernier lieu seront, le cas échéant, communiquées à l'agent du concessionnaire. Au moins un mois avant la date fixée comme date du transfert, le concessionnaire communiquera au Gouvernement Impérial ottoman le détail des biens compris dans la Liste (B) dont il désire le transfert à la société et des contrats compris dans la Liste (C), dont il désire que le bénéfice soit transféré à la société.

18. L'équivalent qui devra être donné au Gouvernement Impérial ottoman pour le transfert des biens de la Liste (A) et des biens de la Liste (B), que le concessionnaire choisira pour être transférés comme il est dit ci-dessus, en sera la valeur convenable, qui sera payée ainsi qu'il est prévu dans l'article 19. Cette valeur ne comprendra aucune augmentation de valeur qui pourrait être attribuée à ces biens en raison de l'existence de tout achalandage en relation avec les affaires de navigation conduites actuellement par le Gouvernement Impérial ottoman, ou en raison de tous droits exclusifs accordés à la société ou de toutes obligations imposées à celle-ci. Dans le cas où ladite valeur ne pourrait pas être convenue, elle sera déterminée conformément à l'article 21.

19. Ledit équivalent sera payé par l'attribution à un ou plusieurs ayants droit du Gouvernement Impérial ottoman d'actions de la société émises comme entièrement libérées, dont la valeur nominale sera égale à la valeur déterminée conformément aux dispositions de l'article 18, et le montant de cet équivalent constituera la moitié ottomane du capital-actions à laquelle il est fait allusion à l'article 15.

20. L'équivalent pour le transfert du bénéfice des contrats compris dans la Liste (C), que le concessionnaire choisira pour être transférés sera l'engagement par la société de remplir les obligations réciproques qui autrement devraient être remplies à ce sujet par le Gouvernement Impérial ottoman, cette obligation étant proportionnée quand cela sera nécessaire, de sorte que le rapport de l'obligation à entreprendre par la société à l'obligation totale entreprise à l'origine par le Gouvernement Impérial ottoman sera égal au rapport du bénéfice transféré à la société au bénéfice total assuré à l'origine au Gouvernement Impérial ottoman conformément aux termes du contrat.

21. Au cas où l'on ne s'entendrait pas en ce qui concerne la répartition de ces contrats, ou la valeur des biens à être transférés comme il est dit ci-dessus, tout différend sera tranché par un arbitre qui sera désigné par convention mutuelle entre la société et le Gouvernement Impérial ottoman, et au cas où une telle convention n'aboutirait pas, cet arbitre sera choisi par le président de la Cour de Cassation à Paris.

22. Le fait qu'un tel différend n'ait pas été tranché à la date du transfert ne constituera pas une raison de différer le transfert, et l'équivalent pour le transfert sera assuré par l'émission d'actions ou par l'émission d'actions et le dépôt, dans une banque qui sera désignée par convention mutuelle, d'espèces ou de valeurs représentant le montant désigné comme représentant la valeur des biens transférés par le Gouvernement Impérial ottoman, et le Gouvernement Impérial ottoman s'engagera, dans le cas où la valeur telle qu'elle sera déterminée par l'arbitre serait inférieure à la valeur nominale des actions ainsi émises, à souscrire en espèces pour l'excès d'actions attribuées.

23. La société pourra, autant qu'elle le jugera nécessaire ou souhaitable pour les objets de son entreprise, construire et ouvrir sur des terrains dont elle aura besoin,

des docks, quais, jetées, débarcadères, plans inclinés, fanaux, magasins, ateliers, dépôts et autres, qui pourront être d'accès privé ou ouvert au public aux conditions que la société pourra déterminer.

A la condition que rien dans les présentes ne portera atteinte aux droits conférés à la Compagnie de Chemins de Fer de Bagdad en vertu de l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903 (20 février, 1318), lesquels droits sont entièrement réservés.

24. L'entreprise étant d'utilité publique, le terrain requis le cas échéant par la société pour la construction de docks, quais, jetées, débarcadères, plans inclinés, fanaux, magasins, ateliers, dépôts et autres, ou les terrains requis de toute autre manière pour les objets de l'entreprise de la société, appartenant à des particuliers (la nécessité de ces constructions et objets étant reconnue, en tant qu'il s'agit d'expropriations, par le Gouvernement Impérial sur la demande de la société) seront pris conformément à la loi concernant l'expropriation, dans les cas où il n'aura pas été possible d'arriver à une entente entre la société et les propriétaires pour l'achat de ces terrains.

Le Gouvernement Impérial ottoman expropriera et remettra à la société le terrain ainsi requis et tout ce qui y appartient. Si dans lesdits terrains il se trouve des terrains dits Arazii-Emiriei-Halié (terrains domaniaux vacants) ils seront remis gratuitement à la société.

Le terrain nécessaire pour l'occupation temporaire au cours des travaux de construction seront remis à la société par les autorités locales à la condition que la société indemnisera les propriétaires.

25. Le bois nécessaire pour la construction et l'exploitation du service de navigation pourra être coupé dans les forêts des districts avoisinants appartenant à l'État, conformément aux règlements relatifs à ce sujet.

26. Sous réserve de toutes dispositions expresses contenues dans les présentes, la société sera soumise à toutes les lois de l'Empire ottoman auxquelles sont soumis actuellement et le seront dans la suite les personnes et corporations ottomanes en général; mais aucune loi ne sera passée faisant distinction au détriment de la société.

27. Dans le cas où le Gouvernement Impérial ottoman accordera à des tiers la concession de l'exploitation des sources pétrolifères, et en tant que les exploitants desdites sources auront recours au transport fluvial, le concessionnaire s'engage à leur offrir des bateaux-citernes et autres facilités requises pour de tels transports aux conditions à déterminer par accord mutuel.

28. Aucune distinction quelconque ne sera faite par la société ou requise par le Gouvernement Impérial ottoman à l'égard de marchandises sur la base du domicile, de l'emplacement des affaires, ou de la nationalité du propriétaire, consignateur ou consignataire de ces marchandises, ou du pays d'origine ou de la destination de ces marchandises ou à l'égard de la nationalité ou de la propriété du navire dans lequel les marchandises sont transportés vers ou depuis les ports ottomans.

A la condition que rien de ce qui est contenu aux présentes n'empêchera la société de prendre les mesures qui seront jugées à propos par le Gouvernement Impérial ottoman à l'égard des marchandises dont le propriétaire, expéditeur ou consignataire est domicilié ou exerce les affaires dans le territoire d'un État qui sera au temps en cours en guerre avec la Sublime Porte.

Toute distinction de ce genre à l'égard du remorquage de vaisseaux et de bâtiments est de même prohibée, et sous la même réserve.

La société ne conclura avec aucune compagnie de navigation maritime d'arrangements en vue d'appliquer un tarif spécial et de faveur aux marchandises transportées par telle compagnie d'un port étranger jusqu'à Bassora ou jusqu'à quelque autre port desservi par les bâtiments de la société, et transportées de ce point par les bâtiments de la société jusqu'à Bagdad ou jusqu'à quelque autre point desservi par les bâtiments de la société, sans admettre immédiatement au bénéfice d'un tel arrangement (en tant que cela dépendra de ladite société) toute autre compagnie de navigation maritime qui transporterait des marchandises analogues dans les mêmes conditions entre les mêmes points.

29. Aussitôt que le transfert prévu aux articles 16 et 31 des présentes aura lieu, le concessionnaire assurera sur le fleuve un service de navigation au moins égal à celui existant au moment de ce transfert. Dès qu'elle aura disposé d'une période raisonnable pour acquérir de l'expérience dans l'exploitation de cette concession, mais pas plus de six mois après sa formation, la société soumettra à l'approbation du Gouvernement Impérial ottoman un tableau indicatif du service minimum qu'elle fournira normalement, ainsi que du tarif maximum normal qu'elle imposera pour le transport des marchandises et des voyageurs entre les points compris dans ledit service; et en

attendant que lesdits tableau et tarif soient soumis par la Société au Gouvernement Impérial ottoman, le tarif maximum normal à imposer par la Société ne dépassera pas le maximum existant à la date du transfert desdites propriétés selon les dispositions des articles 16 et 31 des présentes.

Si, dans les trois mois de la soumission de ce tableau, aucune objection n'y est notifiée à la société par le Gouvernement Impérial ottoman, ledit tableau sera alors censé avoir été approuvé par le Gouvernement Impérial ottoman. Si le Gouvernement Impérial ottoman soulève quelque objection contre ledit tableau et que celle-ci ne soit pas acceptée, la question sera soumise à l'arbitrage (de la manière prévue par l'article 21).

A la condition que la société pourra exiger du Gouvernement Impérial ottoman que le service minimum indiqué dans le tableau soit diminué si à une époque quelconque les bénéfices de la société ne suffisent pas au payement d'un dividende d'au moins 5 pour cent (abstraction faite des dépenses de dépréciation) aux actions ordinaires.

A l'expiration de cinq années à partir de sa fixation par accord mutuel ou autrement, tout tableau de ce genre ou toute revision de celui-ci seront, à la requête de la société, sujets à revision quand il y aura lieu, et toute contestation surgissant à propos d'une requête à cet effet sera tranchée de la même manière et sous la même réserve.

A la condition que rien de ce qui est contenu aux présentes ni aucun défaut par la société de se conformer à un tableau par lequel elle sera liée au temps en cours ne pourra en aucune manière donner lieu à la réduction ni à la limitation d'aucun des droits, libertés, facultés ou avantages accordés par cette concession, si ce n'est au droit pour le Gouvernement Impérial ottoman d'exiger l'amende prévue à l'article 30.

En ce qui concerne les voyages de service, le transport des agents de l'État, et des militaires des armées de terre et de mer, voyageant en corps ou isolément, tant en temps de guerre qu'en temps de paix, sera effectué selon le tarif actuellement en vigueur réduit de 50 pour cent.

Le transport des prisonniers et condamnés sera effectué à une pareille réduction.

Le transport du matériel et des approvisionnements de guerre sera effectué selon le tarif actuellement en vigueur réduit de 15 pour cent.

En considération de ce tarif réduit, et sans porter préjudice au paragraphe 2 de l'article 11, le Gouvernement Impérial ottoman se servira exclusivement des navires et des embarcations de la société pour lesdits transports, sauf dans le cas où soit pour cause d'urgence, soit pour tout autre motif, la société ne sera pas à même de pourvoir au service qui lui sera demandé d'avance par notification des autorités locales, civiles ou militaires.

30. En cas de défaut par la société de se conformer au tableau (le cas échéant) fixé aux termes de l'article 29 et par lequel elle sera liée au temps en cours, le Gouvernement Impérial ottoman aura le droit de donner à la société un avis par écrit exposant les circonstances détaillées du défaut allégué et requérant la société de se conformer audit tableau. Si, après la réception de cet avis, la société persiste volontairement dans ledit défaut pendant une période de non moins de six mois, le Gouvernement Impérial ottoman aura le droit d'exiger une amende, qui n'excédera pas 10 pour cent des bénéfices nets gagnés par la société pendant toute année dans laquelle se prolongera le défaut après l'expiration desdits six mois. En aucun cas il ne pourra être exigé plus d'une amende à l'égard d'une année quelconque. Si le droit d'exiger cette amende est contesté par la société, le point sera tranché par un arbitre de la manière prévue à l'article 21, et cet arbitre déterminera absolument à son gré le montant de l'amende à infliger, sous réserve de la limite prévue au présent article.

31. Nonobstant toute disposition précédente et à titre de mesure préliminaire à la formation de la société et au transfert à elle de cette concession, le concessionnaire, moyennant la fourniture de la garantie ci-après mentionnée et un préavis d'un mois, aura à toute ép que le droit de demander au Gouvernement Impérial ottoman de lui transférer la totalité ou une partie quelconque des différentes propriétés comprises dans la première partie de la seconde annexe, ainsi que le bénéfice de ceux des contrats énumérés dans la deuxième partie de la même annexe que le concessionnaire élira de se faire transférer, comme aussi tous les intérêts du Gouvernement Impérial ottoman dans les droits de navigation et autres formant l'objet de cette concession, et d'exercer par lui-même ou par ses agents tous les droits, libertés et facultés concédés par les présentes, et généralement d'exploiter ladite navigation et de faire tous les actes s'y rapportant qu'il jugera à propos dans son absolue discrétion en conformité de l'article 29 des présentes, sauf les réserves ci-dessus faites pour la protection de Messrs. Lynch et de la Société du Chemin de Fer de Bagdad, et le Gouvernement Impérial

ottoman sera tenu de transférer au concessionnaire lesdits droits et propriétés à l'expiration dudit avis ou auparavant.

La garantie ci-dessus mentionnée sera celle de l'Agence de Londres de la Banque Impériale ottomane, et sera en la forme du projet de garantie qui forme la troisième annexe des présentes.

Il est bien entendu qu'au cas où le concessionnaire exercerait le droit de prendre à son compte lesdits droits et propriétés avant l'incorporation de la société, celle-ci sera tenue, aussitôt que possible après son incorporation (en outre d'avoir à se conformer aux dispositions de l'article 3 des présentes) : (*a*) d'adopter et prendre à son compte tous les contrats, conventions et arrangements faits par le concessionnaire ou par ses agents, et de ratifier et adopter tous les actes faits par lui ou par eux dans l'exercice réel ou présumé des pouvoirs accordés par les présentes; (*b*) de garantir le concessionnaire et ses agents contre tous actions, poursuites, jugements, pertes, réclamations, demandes et frais quelconques que lui ou eux auront pu souffrir, éprouver ou encourir à toute époque précédente ou pourront souffrir, éprouver ou encourir à toute époque ultérieure, dans l'exercice réel ou présumé par lui ou par eux des droits, libertés et facultés accordés par les présentes et généralement dans l'exploitation de la navigation. Et le concessionnaire sera alors tenu de rendre compte à la société de tout bénéfice qui aura pu être réalisé par l'exploitation de ladite navigation comme il est dit ci-dessus.

32. Les employés et agents de la société porteront la tenue qui sera fixée et adoptée par le Gouvernement Impérial ottoman; sauf les fonctionnaires et les employés supérieurs, ils seront, autant que possible, choisis parmi les sujets ottomans.

33. Les objets d'art et d'antiquité découverts pendant les travaux de la société seront soumis aux règlements régissant la matière.

34. Le Gouvernement Impérial ottoman pourra faire élever, à ses frais, des retranchements et travaux de défense sur les bords des fleuves.

35. La société pourra établir, à ses frais, des poteaux et des fils télégraphiques et téléphoniques; elle pourra de même établir des communications souterraines, soit télégraphiques, soit téléphoniques. Ces fils suivront le cours des fleuves, ou ils passeront en ligne directe d'une embarcadère à l'autre, au gré de la société; ils ne pourront pas servir aux correspondances privées n'ayant pas trait au service fluvial.

Le Gouvernement Impérial se réserve le droit de faire contrôler à tout moment par des inspecteurs délégués par le Ministre des Postes et Télégraphes, toute la correspondance télégraphique passant par les fils de la société.

Le Gouvernement pourra faire usage des poteaux de la société pour l'établissement d'un et, au besoin, de deux fils télégraphiques, et les poteaux de la société seront établis de façon à pouvoir supporter ces deux fils supplémentaires, ainsi que ceux de la société. En cas de besoin le Gouvernement aura le droit d'installer, en cas de rupture et de dérangement de ses lignes, des télégraphistes dans les stations pour la transmission par les lignes télégraphiques de la société des dépêches officielles importantes et urgentes, à la condition, toutefois, de n'apporter aucune entrave au service fluvial.

36. A aucun moment de son exploitation la Société ne pourra entreprendre aucun service postal étranger sans permission préalable du Gouvernement Impérial ottoman.

37. Nonobstant toute disposition précédente de ces présentes, il est expressément entendu que, après l'expiration de la période exclusive définie à l'article 6, la Société ne sera soumise à aucune disposition ou condition restrictive, à moins que les autres services de navigation commerciale sur les eaux définies à l'article 9 des présentes n'y soient également soumis.

38. Toute contestation qui pourra surgir, soit entre le Gouvernement Impérial ottoman et le concessionnaire ou la société, soit entre le concessionnaire et la société, à propos de l'interprétation ou de l'exécution de la présente concession sera, sous réserve des dispositions expresses contenues aux présentes, et à la requête de l'une ou l'autre des parties intéressées, soumise au Tribunal international d'Arbitrage de La Haye.

Fait à Londres le 12 décembre, 1913.

(L.S.) E. HAKKY.
(L.S.) INCHCAPE.

PREMIÈRE ANNEXE.

A. Deux bateaux à vapeur battant pavillon britannique continueront à naviguer sur les fleuves Tigre et Euphrate et à profiter du droit général de la navigation sur le Chatt-el-Arab.

B. Un bateau à vapeur battant pavillon britannique sera tenu en réserve en vue de remplacer l'un ou l'autre des bateaux ci-dessus mentionnés pour le cas où il serait hors de service.

C. Les deux bateaux faisant actuellement le service auront, comme par le passé, la faculté de remorquer chacun deux allèges.

D. Un bateau à vapeur placé sous la direction de MM. Lynch ou d'autres personnes désignées par eux, mais qui, une fois hors du port, bat pavillon ottoman, aura la faculté de naviguer en même temps que les deux bateaux ci-dessus spécifiés et, comme ces derniers, de remorquer des allèges.

Aux fins de la présente annexe la phrase "navigation à vapeur" comprend la navigation à électricité ou à toute autre force motrice.

Fait à Londres le 12 décembre, 1913.

I. HAKKY.
INCHCAPE.

DEUXIÈME ANNEXE.

Première Partie.

Les six vapeurs dits respectivement "Hamidieh," "Burhanieh," "Frat," "Resafa," "Mosul," "Bagdad," "Basra" et "Bagdad (neuf)" avec tous leurs agrès, apparaux et gréements.

2. Tous autres vaisseaux ou bâtiments (y compris les bateaux, chalands et allèges) avec tous leurs agrès, apparaux et gréements.

3. Tous les terrains, édifices, jetées, docks, quais, débarcadères, plans inclinés, balises, magasins, bureaux, matériel, outillage et autres choses semblables utilisés en ce moment en connection avec la navigation des eaux définies à l'article 9 et tous les agencements et accessoires.

4. Le stock de combustible, lubrifiants, pièces de rechange, matériaux de réparations et autres choses semblables emmagasinés aux dépôts existants à la date du transfert.

5. Certaines propriétés des municipalités de Bagdad et de Zor, affectées à la navigation, à spécifier dans une liste à dresser ultérieurement par accord mutuel.

Deuxième Partie.

Contracts non expirés à la date du transfert et relatifs :

(*a.*) A la location ou à l'usage de terrains et d'édifices;
(*b.*) Aux services d'employés;
(*c.*) A la fourniture de combustible et d'approvisionnements;
(*d.*) Au remorquage de chalands et au transport de voyageurs et de marchandises;
(*e.*) A la construction d'ouvrages d'art ou d'édifices.

Fait à Londres le 12 décembre, 1913.

E. HAKKY.
INCHCAPE.

TROISIÈME ANNEXE.

Dans l'affaire de la concession pour la navigation du Tigre et de l'Euphrate, en date du 12 décembre, 1913, passée entre son Altesse Hakky Pacha (représentant dûment autorisé du Gouvernement Impérial ottoman), d'une part, et le Right Honourable James Lyle, Baron Inchcape, G.C.M.G., K.C.S.I., K.C.I.E. (le concessionnaire), d'autre part.

A Son Altesse Hakky Pacha,

Si avant la formation de la Société mentionnée dans la concession le concessionnaire (cette expression sera interprétée comme comprenant tant Lord Inchcape que tout successeur de celui-ci) demandera au Gouvernement Impérial ottoman (ci-après dénommé "le Gouvernement"), en vertu de l'article 31 de la concession, de lui transférer les biens mentionnés à l'article 31, et le Gouvernement lui transférera lesdits biens en conséquence, puis, à la condition que le Gouvernement effectue ledit transfert au concessionnaire, nous donnons la garantie et prenons l'obligation : (*a*) Que le concessionnaire procédera dûment à la constitution de la Société mentionnée à l'article 2 de la concession avec toute la diligence raisonnable ; et dès que la Société aura été ainsi constituée, le concessionnaire fera attribuer ou transférer au Gouvernement ou à ses ayants droit—ceux-ci étant des sujets ottomans—des actions entièrement libérées de la Société, représentant un montant nominal équivalent à la valeur raisonnable des biens ainsi transférés, déterminés conformément aux termes de la concession ; (*b*) que, dans le cas où le concessionnaire manquerait de faire attribuer ou transférer au Gouvernement ou à ses ayants droit, ainsi qu'il est dit ci-dessus, lesdites actions entièrement libérées de la Société, dans un délai de trois ans à partir de la date de la complétion du transfert desdits biens en sa faveur, nous paierons au Gouvernement, à l'expiration de ces trois années, une somme égale à la valeur raisonnable desdits biens déterminés conformément aux termes de la concession,

A la condition que, si un tel défaut est dû au fait du Gouvernement Impérial ottoman ou des autorités ottomanes ou à un cas de force majeure ou à toute circonstance quelconque en dehors du contrôle du concessionnaire, de ses agents ou de ses employés, nous soyons dégagés de toute responsabilité sous cette garantie pour le cas qui aura été soulevé.

Il est bien entendu que ledit cas ou ladite circonstance devra être notifié par le concessionnaire par écrit au Gouvernement Impérial ottoman et à l'Ambassade de Turquie à Londres.

A la condition également que, dans le cas où nous serions tenus de payer et où nous paierions au Gouvernement ladite somme, celle-ci nous sera remboursée par le Gouvernement avec des intérêts ne dépassant pas 5 pour cent par an et ne dépassant pas les sommes reçues par le Gouvernement provenant des bénéfices acquis relativement à l'exploitation de la navigation, ainsi qu'il est prévu à l'article 31 de ladite concession, immédiatement après que lesdites actions auront été à un moment quelconque dans la suite émises ou transférées au Gouvernement ou à ses ayants droit, ou que le concessionnaire aura retransféré au Gouvernement ou à ses ayants droit lesdits bien tels qu'ils pourront exister au moment d'un tel retransfert, et également rendu compte au Gouvernement ou à ses ayants droit de tous bénéfices qu'il pourra avoir acquis par l'exploitation de la navigation mentionnée dans ladite concession ; et jusqu'à un tel remboursement nous serons substitués dans tous les droits du Gouvernement tant à l'égard desdits biens qu'à l'égard du concessionnaire.

Tout différend qui pourra subvenir entre le Gouvernement Impérial ottoman et la Banque Impériale ottomane quant à l'interprétation et à l'exécution de cette garantie, sera soumis, sur la demande de l'une ou l'autre des parties intéressées, au Tribunal international d'Arbitrage de La Haye.

1.

APPENDIX No. I.

RELATIVEMENT à la Concession en date du 12 décembre, 1913, à moi accordée par le Gouvernement Impérial ottoman, je soussigné, le Très Honorable James Lyle Baron Inchcape, G.C.M.G., K.C.S.I., K.C.I.E., conviens par les présentes avec son Altesse Hakki Pacha, représentant dûment autorisé dudit Gouvernement, comme suit :

1. Qu'après la formation de la Société dont il est question dans ladite Concession, j'userai de tous mes efforts et pouvoirs pour décider ladite Société :

(*a*) A acheter trois vapeurs appartenant en ce moment à Aga Djaffer et un bateau automobile appartenant aux Vacoufs (Esterabadee) et en service à présent sur le fleuve le Tigre, pourvu que lesdits vapeurs soient raisonnablement en état de faire le service de navigation fluviale entre Kurna et Bagdad d'une manière efficace à la date du transfert.

Le prix desdits vapeurs et bateau automobile sera une valeur équitable à convenir par accord mutuel et, à défaut d'accord, à déterminer par arbitrage sur la base et de la manière prévues aux articles 18 et 21 de la Concession, de la même manière à tous égards que pour la détermination du prix des propriétés à transférer par le Gouvernement Impérial ottoman à moi ou à ladite Société aux termes de ladite Concession.

(*b.*) A prendre à sa charge l'actif et le passif de la Caisse actuelle des Retraites des employés du Gouvernement Impérial ottoman occupés exclusivement à la navigation du Tigre ou de l'Euphrate ou en connexion avec cette navigation, pourvu qu'il en soit dressé par un actuaire à nommer par moi un inventaire montrant la valeur des fonds repris par moi ou par ladite Société d'une part, et le montant des engagements à entreprendre par la Société d'autre part. Au cas où le passif excéderait l'actif, le déficit serait remboursé à moi ou à ladite Société par le Gouvernement Impérial ottoman, ou bien, à mon choix, il serait déduit de la valeur des biens à transférer à moi ou à ladite Société par le Gouvernement Impérial ottoman aux termes de la Concession susvisée.

(*c.*) Ladite Société passera une convention avec le Gouvernement Impérial ottoman pour le transport des malles postales ottomanes à des conditions équitables. Cette convention portera que la Société sera tenue de transporter sans frais pour le Gouvernement Impérial ottoman des lettres (à l'exclusion des colis) jusqu'à concurrence d'une tonne par mois solaire ; mais si ce service nécessite une cabine ou des facilités spéciales, ces avantages seront fournis à la charge du Gouvernement Impérial ottoman.

Fait à Londres le 12 décembre, 1913.

INCHCAPE.

APPENDIX No. II.

ENTRE son Altesse Hakky Pacha, le représentant dûment autorisé du Gouvernement Impérial Ottoman, d'une part, et le Right Honourable James Lyle, Baron Inchcape, G.C.M.G., K.C.S.I., K.C.I.E., d'autre part, il a été convenu ce qui suit :

1. La concession accordée par le Gouvernement Impérial Ottoman pour la navigation sur les fleuves du Tigre et de l'Euphrate, en date du 12 décembre, 1913, ne sera pas valable pour engager aucune des deux parties contractantes avant la ratification, par le Gouvernement Impérial Ottoman et le Gouvernement de Sa Majesté Britannique, de la Déclaration en date du 29 juillet, 1913, relative à ladite navigation ; mais immédiatement après cette ratification, ladite concession acquerrera et conservera toute sa validité et sa force d'exécution.

2. Toutes les fois que, dans ladite concession, un délai quelconque est stipulé comme devant être calculé à partir de la date de ladite concession ou à partir de l'expiration d'une période quelconque calculée à partir de cette date, ledit délai commencera seulement à courir à partir de la date de la ratification de ladite Déclaration ou (suivant le cas) à partir de l'expiration de toute telle période calculée à partir de la date de ladite ratification au lieu de la date de ladite concession.

3. Si le transfert des biens énumérés dans la seconde liste de ladite concession a lieu conformément aux dispositions de l'article 31 de ladite concession (c'est-à-dire

avant l'incorporation de la Société qui doit être constituée en vertu de ladite concession), il appartiendra à Lord Inchcape d'employer tous ses efforts personnels pour effectuer l'achat mentionné dans la section (*a*) de sa Déclaration de la même date, ci-jointe.

4. Le Gouvernement Impérial Ottoman emploiera tous ses efforts et ses pouvoirs sous la forme de voix pour obtenir que ladite Société assume tous les obligations et engagements pris par Lord Inchcape, se rapportant, d'une manière quelconque, à l'achat mentionné à l'article précédent, et l'exploitation des biens achetés de ce fait, et qu'elle lui rembourse toutes sommes d'argent dépensées par lui relativement audit achat et à ladite exploitation, avec les intérêts sur ces sommes à un taux supérieur de un pour cent (1 %) à celui de la Banque d'Angleterre au temps en cours, avec un taux minimum de cinq pour cent (5 %) par an.

Fait à Londres le 12 décembre, 1913.

I. HAKKY.
INCHCAPE.

[58809] No. 248.

Déclaration.

To the Imperial Ottoman Government,

I, THE undersigned, the Right Honourable James Lyle Baron Inchcape, G.C.M.G., K.C.S.I., K.C.I.E., hereby declare and admit that in the event of my becoming incapacitated by illness, or otherwise, from proceeding to form the Ottoman Company, as provided by Article 2 of the concession signed by his Highness Hakki Pasha and myself on the 12th day of December, 1913, and in the event of the Imperial Ottoman Government granting such concession to a successor nominated by His Britannic Majesty's Government, neither my heirs nor my executors or administrators shall have any right or claim to the transfer of the said concession to them after being indemnified in respect of any costs, expenses, and liabilities incurred by me in and about obtaining the said concession, forming the said Company, or otherwise in the exercise of, or in preparing for the exercise of, the rights and liberties granted, or to be granted, by the said concession and undertakings of even date herewith.

It is clearly understood that as soon as I have caused the said Company to be incorporated this undertaking is absolutely determined, and is of no further effect.

Dated this 12th day of December, 1913.

(L.S.) INCHCAPE.

[56195] No. 249.

Déclaration secrète.

LE Gouvernement Impérial ottoman, par l'intermédiaire de son Altesse Hakky Pacha, dûment autorisé à cet effet, déclare au Gouvernement de Sa Majesté britannique :

1. Qu'il consent à ce que la société à constituer par Lord Inchcape en vertu de la concession signée le 12 décembre, 1913, pour la navigation du Tigre et de l'Euphrate, se charge, sur la demande du Gouvernement de Sa Majesté britannique, du transport des valises postales britanniques entre Bagdad et Bassora et/ou Mouhammera et/ou tout autre point intermédiaire où le Gouvernement de Sa Majesté britannique aurait un bureau de poste à la date précitée.

2. Qu'il donnera son approbation à toutes les dispositions que Lord Inchcape voudra insérer dans les statuts de la Société susmentionnée, à la condition qu'elles ne soient pas de nature déraisonnable ou en contradiction avec les dispositions de la concession signée le 12 décembre, 1913.

Fait à Londres, le 12 décembre, 1913.

I. HAKKY.

[56030] No. 250.

Minute by Mr. Parker.

I WENT to see Hakki Pasha yesterday afternoon in order to settle up one or two outstanding points about the navigation concession. He told me he had received authority to sign to-day, subject to two changes, one, that Lord Inchcape should not have the right to establish wireless telegraphy on his steamers or landing stages as there were strong military objections, and, two, that there should be a modification in the important clause about irrigation. The Ottoman Government objected to the words, "D'autre part, le Gouvernement Impérial ottoman n'exécutera pas, ni permettra l'exécution des travaux d'irrigation de nature à entraver la navigation sur le Tigre et l'Euphrate." The Turkish Government made a strong appeal to Sir E. Grey and to Lord Inchcape not to compel them to agree to a clause which might prevent them, in time of drought, from diverting the water of the river so as to save a large population from starvation; and they suggested that the following words should be substituted: "D'autre part, le Gouvernement Impérial ottoman exploitera le service d'irrigation de façon à réduire toute entrave à la navigation au minimum strictement possible." If Lord Inchcape would not agree to this Hakki Pasha was given a certain latitude. I said I was sure this would not be agreed to by Lord Inchcape, and I put forward the following alternative, which Hakki Pasha accepted: "D'autre part, le Gouvernement Impérial ottoman exploitera le service d'irrigation de façon à ne pas entraver la navigation sauf pendant les périodes de sécheresse absolue, et, même pendant de telles périodes, de façon à réduire toute entrave au minimum strictement possible." I then telephoned for Lord Inchcape's lawyers, and they agreed that the change was reasonable and acceptable, whereupon I telegraphed to Lord Inchcape in Essex to this effect, and said that I was having the change inserted in the concession ready for signature at 3:30 to-day (Friday). The lawyers then discovered that there were certain supplementary contracts which they had to agree with Hakki Pasha about valuations and which they had overlooked. These were drawn up last night and are being put into French ready for signature this afternoon.

December 12, 1913. A. P.

[56146] No. 251.

Minute by Mr. Parker.

A LETTER came from Messrs. Slaughter and May (No. 56009 of the 11th December, 1913) to-day which showed that there were still two outstanding points in regard to which Lord Inchcape and the Lynch interests were not in agreement: after some consideration I asked Mr. Slaughter to call at 6 with Colonel Picot and Mr. John Lynch, and Lord Inchcape and his two solicitors to come at the same time. I interviewed each party separately first, and said that I thought the remaining difficulties could be overcome more easily round a table than in correspondence. Mr. Lynch, who was very agreeable, did not quite concur as regards this proposal, as he said all the recent negotiations had been in writing and it was not desirable to depart from this procedure. I said that Sir E. Grey attached great importance to an early

understanding, as negotiations would shortly have to begin with the Germans respecting the Belgian Company, for the conveyance of railway material. I said however that I would make it quite clear that the conversations were to be non-committal and tentative.

I accordingly did this: I said the difficulties were two, firstly what was to happen if the management of the Belgian Company was not transferred to the Joint Management Company in London, and secondly what was to happen in the unlikely event of Lord Inchcape and Mr. Lynch disagreeing on the management Company?

As regards the first point, I said that Messrs. Lynch had already assured us that they would use their best efforts to secure the transfer of the management of the Belgian Company as desired, and, as that management had been confided by the Germans exclusively to Messrs. Lynch, there seemed to be no objection to the transfer of it, but if it could not, which was almost inconceivable, be effected, then Messrs. Lynch would have to pay a sum equivalent to the profits they derived from the management of the Belgian Company into the Joint Management Company, of which the profits were to be divided equally between Lord Inchcape and the Lynch interests. This was agreed

As regards the second point, it was agreed that in practice Lord Inchcape's view, as that of the director with most experience of shipping, would probably prevail; but that, if disagreement arose, there should be a reference to a referee to be appointed by the president of the Law Society.

It was then settled that Messrs. Waltons and Messrs. Slaughter and May should meet next week to draw up the articles of agreement, which were briefly enumerated forthwith.

I then read to those present article 4 of the Anglo-German draft Convention relating to the navigation on the Rivers, in order to be quite clear as to the course to be adopted: it was agreed that Messrs. Lynch Brothers, with the assistance of Lord Inchcape's solicitors, should enter into communication with the Bagdad Railway Company on receiving an intimation from the Foreign Office that the moment to do so had arrived, and I pointed out that this would not be for ten days or more, as we were only just sending our counter-draft to the Germans, and it would

be necessary to allow a brief period for the contents to percolate to Herr von Gwinner.

All the solicitors present insisted very strongly upon the necessity of a slight alteration in the wording of one clause of our draft agreement with Germany concerning the navigation, as otherwise the Germans might claim more than was intended. They wanted the following underlined words added to article 4, clause (*b*):

"His Britannic Majesty's Government declare that they will not oppose the acquisition by the Bagdad Railway interests of 40 per cent. of the share capital to be allotted to Turkish interests in the first allotment and the right in respect thereof to subscribe for a rateable proportion of further issues of capital of the Ottoman company for river navigation, &c. . . . ."

They said His Majesty's Government could not possibly object, as it was a restriction, but a very essential one, in the interests of the British element.

I said I thought there could not be any objection, and I am sending a copy of this minute to the Board of Trade.

At the conclusion of the interview both Lord Inchcape and Mr. Lynch thanked the Foreign Office for having intervened, and they said they felt confident that all difficulties as between them were now removed.

Copies of the concession as signed to-day were communicated to Mr. Lynch.

A. P.

December 12, 1913.

[56128] No. 252.

Sir R. Rodd to Sir Edward Grey.—(Received December 13.)

(No. 337. Confidential.)

Sir, *Rome, December* 6, 1913.

ON my return to Rome, which was slightly delayed by my having to stop at Leghorn and Florence on the way to fulfil certain engagements with the British community in those cities, I lost no time in seeing the Minister for Foreign Affairs, who received me this morning. I remained with his Excellency for upwards of an hour, and our discussions covered practically all the questions with which at our interview on the 26th ultimo you had instructed me to deal.

I have reported the substance of our conversation on the several points in a summary manner by telegraph.

The Marquis di San Giuliano, who appeared to have heard from the Italian Ambassador in London the general lines on which I should probably invite discussion, began himself to speak of the islands occupied by Italy and of the ambitions which the Italian Government had formed to find some sphere of commercial expansion in Asia Minor, thus for the first time in my experience bringing these two questions to some extent into correlation. He began by saying that he had stated a hundred times

in very clear language that Italy had no intention of retaining any of the islands, and he was ready to do so, if necessary, for the hundred and first time. The President of the Council had made the same announcement in the most public manner in the Chamber. Italy supported as warmly as any of the Powers, if not more warmly, the principle which had been adopted that none of them should derive any territorial advantage from the embarrassments of Turkey. It was a matter of special concern to her that the Turkish Empire as it was now constituted should be preserved and fortified, permanently if possible, and in any case for the longest possible time. A break up of that Empire she could only contemplate with the gravest anxiety; it would render her position very difficult, and involve many dangers for a country with Italy's peculiar position in the Mediterranean. Her interests were, he thought, obviously served by the consolidation of Turkey.

I agreed with him in this estimate, but observed that the question of the islands inevitably constituted an element of uncertainty and unsettlement under the present conditions. We had not exercised any pressure upon Italy, and had accepted the declarations which he and the President of the Council had made, but we were only one of the Powers interested. The other matters under liquidation after the Balkan war had received, or were approaching, a solution, and though we had not in any way shown impatience, I felt it would relieve the whole international situation if none of the issues were left much longer outstanding.

The Minister for Foreign Affairs then said that, as regards the Turkish Empire in Asia, most of the European countries had certain established interests there of a commercial and industrial character. Germany had her railway enterprises; France regarded Syria as a special field for her activity; we look to the regions bordering on the Persian Gulf as our particular preserve; Russia was jealous of any other Power touching the regions which bordered on the Caucasus. Italy therefore also, now that her trade and industry were so largely developing, and now she had grown up to maturity in the family of nations, sought some special area of activity in the Mediterranean, its most natural field, since she was solely and wholly a Mediterranean Power. The nation had fixed its ambitions on some modest outlet for its energies, and the only possible region in which it seems now practical to find one was in the south of Asia Minor. The Turkish Government did not seem indisposed to offer certain facilities for such commercial penetration, and the point which was nearest to Italy seemed the one best adapted for the purpose, and almost the only one where there was still opportunity for such expansion. Even there, however, there was the British Smyrna–Aidin Railway Company, which he candidly recognised had certain acquired rights as well as certain interests contingent on them. But he thought that it should not be impossible to find some room for Italian enterprise in that region also. They were not ambitious of undertaking any very vast or costly schemes for which money would not be available. There were, moreover, other ways of opening up the country to industry besides the construction of railway lines: there were harbour works not only at Adalia, but elsewhere in southern Asia Minor; there were mineral enterprises and conceivably many others in which Italy might interest herself. Something of this kind was necessary to satisfy the new ambitions which were asserting themselves in the country.

I said that we had never yet been able to gather clearly what the precise aims and objects of Italy were, and what particular area it was contemplated that she should exploit, or what results had been obtained at Constantinople. We ourselves had no ulterior aims in Asia Minor; we had allowed others to undertake the railway development of the country, and had left them a free field. There was only the Smyrna–Aidin Company, which had been the pioneer of such enterprise, and had successfully established itself there. As a British company we were bound strenuously to uphold their vested rights and interests. It might be, as he had suggested, that Italy might find a field for employment there which would not conflict with those rights and interests, and with this reservation you had no desire to stand in her way. The best course would be that the company should be approached directly, and that a clear understanding should, if possible, be arrived at with them.

His Excellency gave me to understand that nothing definite had as yet been obtained from Constantinople, but that there was reason to believe that such facilities as he desired would be forthcoming if they did not conflict with other concessions. He had himself also thought that it would be advisable to endeavour to negotiate first with the Smyrna–Aidin Railway Company, but that he would not, of course, do so unless he knew that you approved that course. He said that he had explained frankly what the aims of Italy were, and that the Government considered it necessary to take

some steps to satisfy this ambition. If now something concrete and definite could be obtained from Constantinople, which would satisfy the country as a tangible asset, he thought that then it would be comparatively easy for the Government to proceed to the evacuation of the islands. The country would feel that something had been gained to counterbalance a step which would no doubt disappoint a certain party in Italy, and to compensate for the money and energies which had been consumed in occupying the islands.

This announcement on the part of the Marquis di San Giuliano appeared to me to mark a step in advance towards the end in view, and it is interesting also from the fact that it marks the first occasion in the many discussions we have had respecting the occupation, on which he has not urged its necessity as a lever for the pacification of Cyrenaica. That plea, his Excellency no doubt realises, is getting a little outworn, and he has probably become conscious of the scepticism with which it is received. I did not of course remind him that the occupation of the islands, proclaimed originally as temporary, in order to accelerate the conclusion of hostilities, has already served a number of purposes. It was first maintained as a means for bringing pressure to bear on Turkey to evacuate Cyrenaica. Then the prospects of withdrawal, when it seemed possible that Greece might make good her claims to most of the islands, was used as an argument for obtaining her withdrawal from the mainland side of the Corfu Channel. And now it seems, that this result having been secured, it is to be utilised as a means of obtaining industrial concessions in Asia Minor. In the meanwhile the situation has so far changed that it seems here regarded as possible to hand these islands back to Turkey with some fair prospects of her being able to retain them, and if certain concessions to Italy in Asia Minor are possible, which do not conflict with British rights and vested interests, it may be worth considering whether our advantage will not lie in facilitating a settlement on some such lines.

I have, &c.
RENNELL RODD.

[56141]

No. 253.

Sir L. Mallet to Sir Edward Grey.—(Received December 13.)

(No. 995.)

Sir,

Constantinople, December 8, 1913.

SIR RICHARD CRAWFORD has on several occasions brought to my notice the serious if not desperate condition of the Turkish finances. The prospects of a large international loan, which at one time appeared likely of realisation within a reasonable period, seem now to be more remote, if not vanishing.

Those who are interested in the welfare of this country, and who had hopes of the present Government, cannot but be profoundly discouraged at the present outlook. For several weeks past no salaries have been paid, the provincial exchequers are empty, and it is difficult to understand how the machinery of government is carried on. In any other country but this, where patience appears to be inexhaustible, strikes, riots, if not revolution, would have occurred long since, and it is not to be expected that even here matters can go on indefinitely as they are.

For the present a slight temporary relief has been found in the sale of the last remaining batch of the 5 per cent. Treasury bills, which has realised about 1,000,000*l.* Sir R. Crawford was obliged to agree to this course, but he did so with the utmost reluctance and only as a last resort, and after pointing out to the Minister of Finance how ruinous was this method of raising money. He tells me that Colonel Hawker, who has but recently been appointed temporarily commandant of the gendarmerie at Trebizond, telegraphed on reaching his post that he could not retain it unless money was sent for the pay-ment of the gendarmes, who, like the police and military, had been without pay for more than six weeks. As they are also without rations, they are obliged to live upon the country, and it is much to be wondered at that there are no complaints on this score. Colonel Hawker stated that there was only 20*l.* in the provincial treasury and no prospect of further supply, and that the Vali had had to go into the streets of Trebizond to beg for a loan in order to pay one of the French gendarmerie officers' travelling expenses. Colonel Hawker is himself owed some 160*l.*, but he is not asking for it in present circumstances.

The importance of this account lies in the fact that it is not isolated, but is merely an example of the condition prevailing all over the country. I am informed that the proceeds of the sale of the Treasury bills to which I have referred will for the

most part go at once in the payment of the arrears of salaries, and this payment will not appreciably alleviate the pressure, which can only be met by the negotiation of a short loan. The situation has been fully explained to the Imperial Ottoman Bank and to the French Government, and although Sir Richard Crawford is not very sanguine of success he still hopes for a favourable consideration of his proposals. The events of the last two months have brought home to everyone here the hold which France must exercise over the present and future destinies of this country by means of finance. Sixty per cent. of Turkish bonds are held in France, and if the large loan is raised principally in that country the proportion will be still larger. It is of course in the French interest not to allow matters to go too far, but short of bankruptcy they are able to exercise such pressure here in the matter of concessions as to render the position almost intolerable for the Turkish Government. If that pressure were exercised in order to secure reform which would infuse vigour into the life and institutions of the country there would be much to be said in its favour, but such is not the case, and in the circumstances it is probable that the greatest advantage which Turkey could gain would be access to another market. It is not impossible that such a market might be found in the United States. The Jewish element there is said to take an interest in the Zionist movement. A prominent Jewish gentleman has arrived in this country as American Ambassador, accompanied by his son-in-law, who is also a well-known Jew in New York. I am told that Mr. Morgenthau is a man of great ability, and the tentative overtures which have been made to him have resulted in his displaying interest in the question of Turkish finance, and in the statement that the United States Government desired the maintenance of the integrity and independence of the Ottoman Empire. I cannot say whether anything will result from this, but it is interesting to find that the policy of the United States Government towards this country is apparently identical with that of His Majesty's Government, whose isolation and disinterestedness has hitherto been in sharp contrast with the vulture-like attitude of the other Powers. Objection might be raised to the Turkish Government obtaining money which they might be tempted to spend on adventure, but in reply to this it may be said that foreign financial control already exists in the Commission de Réforme financière. Sir R. Crawford tells me that a German member has been added to the Commission, and that it is proposed to ask for a Russian member also. He says that for some time past all questions involving expenditure are referred to the Commission, which now exercises control which is none the less real because it is not public and admitted. This appears to me a very important beginning, and if the increase in the number of the Commission does not detract from its usefulness, and if politics are kept out of its deliberations, it may in the end prove of lasting benefit to the country.

I have, &c.
LOUIS MALLET.

[56276] No. 254.

Lord Rathmore to Sir E. Crowe.—(Received December 13.)

(Private and Confidential.) *Southfield House, Wimbledon, December 12, 1913.*

Dear Sir Eyre Crowe,

IN reply to your note to me of the 9th instant, I beg to inform you that at our meeting of the Ottoman Railway Company this morning we decided, in compliance with the friendly suggestion of Sir Edward Grey (conveyed in the letter of Mr. Alwyn Parker to me, dated the 3rd December), to at once ask Mr. Capel Slaughter to give us his assistance in the impending negotiations with the Turkish Government. My board also agreed to-day that our desiderata should stand in the following order of urgency and of importance to our shareholders:—

1. That our status as a company of British nationality should not be in any way disturbed.

2. That our possession of the lands upon which our terminal station at Smyrna is built should be permanently protected from such claims as were formerly put forward by Sadi Bey, and as those with which we are now menaced by the ministry of the Vakouf and other parties.

3. An extension of the present term (1950) of our concessions.

4. Permission to navigate Lake Egherdir, with facilities to erect piers, &c., for that purpose.

5. Absolute protection of the "zones" of our railways from the incursion of others coming from Adalia or elsewhere.

6. An extension to Sandikli, and an option to link up with the Anatolian Company on proper conditions.

7. An extension to Beyshehir.

8. An option (for four or five years) for this company to make an extension to Adalia and a port there.

Since writing the above, I have learned that Mr. Slaughter is quite willing to act for our company in the approaching negotiations, subject to the approval of Dr. Freshfield of his doing so.

Dr. Freshfield is at present, and has long been, solicitor to our company.

Pray forgive this hasty and untidy letter, but I did not like to put off giving you the above information, and believe me to remain, dear Sir Eyre Crowe,

Yours very truly,
RATHMORE.

[56303] No. 255.

Sir R. Rodd to Sir Edward Grey.—(Received December 13.)

(No. 222.)

(Telegraphic.) *Rome, December 13, 1913.*

I SPOKE last night to the Minister for Foreign Affairs in the sense of your telegram No. 366 of 11th December.

He said that the idea of connecting concessions from Turkey with the evacuation of the islands was rather put forward by him as personal to myself and with a view to facilitating the task of the Government in Italy than with the idea of new conditions. He maintained that Turkey, by not carrying out treaty conditions, had entailed on this country increased expenditure caused by the prolongation of resistance in Cyrenaica and the maintenance of the occupation of the islands.

I objected that Turkey claimed to have done all she could to remove the Turkish troops. This he would not admit, and alleged suspicion that she did not desire to accelerate evacuation because she feared that the islands might go to Greece. Italy was entitled to an indemnity for the prolongation of this situation, and he had thought that the best means of settlement would be by a grant to Italians of concessions which would compensate for losses incurred. The Ministry had to deal with a young and excitable nation, and he felt that I must realise that at the present moment no Government could propose the abandonment of the one lever they possessed for exercising pressure on Turkey, which had not even asked for the restitution of the islands, without having some plausible pretext for their action. He repeated assurances as to the sincerity of their ultimate intentions and firm resolve not to incorporate in this kingdom any European populations other than Italian and thus sacrifice the existing advantages of homogeneity. These assurances will be repeated in the Chamber, probably to-day. Any overt pressure by the Powers, which he earnestly trusted would not be exerted, would only increase the difficulties of the Government by arousing opposition here. I urged that the longer it was delayed the more difficult it must become. He agreed, but urged the necessity of awaiting an opportune moment which he felt would present itself if they had some success to report in the negotiations for concessions. As his Excellency has returned to the standpoint of the Treaty of Lausanne, it may be worth considering whether Turkey should not now take some initiative and claim to have fulfilled the treaty.

The Minister for Foreign Affairs quite agreed with you as to the inadvisability of claiming a sphere of interest. He had done all he could to check the campaign initiated in Turin "Stampa" (see Mr. Dering's despatch No. 298). The idea that a sphere of interest had been marked out arose from Italy's having endeavoured to find some region for economic concessions where she would not be in conflict with those obtained by other countries. He had no knowledge, when the question first arose, of the extent of the concession of the Smyrna-Aidin Railway. Now that he knew he realised that the only course was to endeavour to come to terms with that company.

On my again asking whether any real concession existed, and, if so, what were its terms, he admitted that an Italian syndicate had received authorisation to make

studies. In so far as that was a concession, it might be said to exist, but there was no concession for any concrete undertakings. He said that he did not know whether a copy of the vaguely worded document drawn up at Constantinople existed in the Italian Foreign Office, but could ask the director of the "Commercial Bank," which seems to be the promoter, whether it could be communicated to me.

[56304] No. 256.

Sir R. Rodd to Sir Edward Grey.—(Received December 13.)

(No. 223.)
(Telegraphic.) *Rome, December 13, 1913.*

THE Turkish Ambassador informs me that the Austro-Hungarian Government have applied for a railway concession in the same region as that sought by Italy. The Italian Minister for Foreign Affairs had admitted to him that this was so, and did not seem pleased.

[56299] No. 257.

Sir L. Mallet to Sir Edward Grey.—(Received December 15.)

(No. 619.)
(Telegraphic.) *Constantinople, December 13, 1913.*

YOUR telegram No. 568 of 9th December: Shatt-el-Arab Riverain Commission.

The Turkish Government would have no right to object to the procedure set forth in article 2 of the proposed British declaration. It will therefore weaken the position if I approach them and open up discussion of the Capitulations. Under the Capitulations British subjects would have the right to the same treatment. Would it not, therefore, be the better procedure? I would suggest obtaining from Hakki Pasha the precise nature of the objection he anticipates.

[55193] No. 258.

Précis of Recent Despatches from Sir L. Mallet.

Armenian Reforms.

M. de Etter, Sept. 25, [44555/13].

IN September 1913 the Russian Charge d'Affaires communicated to His Majesty's Government a scheme of reforms in Armenia which was to be pressed upon the Porte by the Russian and German Ambassadors at Constantinople. He was informed on the 3rd October that His Majesty's Government approved the arrangement and were prepared to support the scheme.

The proposals were under six heads, and were briefly as follows:—

1. The Porte was to ask the Powers to recommend them two inspectors-general for the two sections of Eastern Anatolia with whom they should conclude contracts to run for a certain number of years, and whose successors were to be appointed in a similar manner.

2. These inspectors were to have a limited right of appointing, and an unrestricted right of dismissing, officials in their spheres.

3. There was to be in each section an elected assembly composed equally of Mussulmans and Christians.

4. The officials in each section were to be Mussulmans and Christians in equal numbers.

5. The application of the reforms was to be controlled by the Powers through their Ambassadors at Constantinople and their consuls.

6. The Porte were to agree with the Powers regarding the other reforms to be applied.

Sir L. Mallet, during the last month, has written various despatches describing the course of discussions at Constantinople on this subject. The following summary of their contents gives all the explanation that is necessary in order to follow his Excellency's despatch No. 978 received on the 8th December.

On the 12th November Sir L. Mallet reported that the Russian Ambassador had for some time been in communication with the Grand Vizier. The latter professed himself all in favour of reforms, but would not hear of the intervention of the Powers, though he went so far as to state that the Porte were desirous of employing foreign officials to assist in carrying out the reform. M. de Giers seemed to think it might be necessary eventually, if the Porte remained obdurate, to compromise by agreeing to the inspectors being Ottoman subjects with foreign advisers to assist them, and this view was shared by the German Ambassador. He continued, however, to pursue the subject with the Grand Vizier, and received a note on the 7th November containing the Porte's counter proposals. In it the Porte made no mention of *European* inspection-general (the note in fact being headed "Des conseillers étrangers qui seront adjoints aux inspecteurs généraux"), and merely spoke of the employment of foreign advisers, saying nothing about their method of selection, though, as Sir L. Mallet observed, it was presumably meant that the Powers should be asked to recommend them. The powers conferred on the advisers in the note were of a vague character, and no provision was made for the enforcement of their views in cases of disagreement with the inspectors-general, disputes between the two relating to "inspection and reports" being left ultimately to the decision of the Council of Ministers. Finally, no mention was made in the note of control by the Powers or of the scope of the reforms. Sir L. Mallet, No. 933, Nov. 12 [52942/13].

On the 14th November Sir L. Mallet had an interview with the Grand Vizier, and informed him of His Majesty's Government's desire that the Porte should give the Russo-German scheme their most earnest attention, pointing out the danger of their embarking on a scheme of their own which might entail the engagement of the nationals of one Power only. The Grand Vizier affirmed that the Porte would never accept such an inspector-general as was mentioned in the two Ambassadors' project, but said that he hoped to arrive at an agreement with M. de Giers, to whom he had proposed the appointment of foreign advisers instead of foreign inspectors-general. Sir L. Mallet then informed him of the Prime Minister's declaration that the integrity of the Sultan's dominions was a principle of cardinal interest to Great Britain, and pointed out that the maintenance of this integrity would depend largely on the introduction of proper reforms in Armenia, and that it was universally felt that these reforms should be carried out under some form of control by the Ambassadors. He refrained, however, from entering into anything like a detailed discussion of the proposals made on either side, feeling that it was best to leave this to the Russian Ambassador, as he was sure that a collective representation to the Porte would be fatal. It seemed likely, he added in his despatch, that the Porte was in earnest about carrying out reforms. Talaat Bey was to visit the vilayets, and it was important that no action should be taken by the Powers which might irritate the Porte or lead them to take up a position from which they could not retreat. Sir L. Mallet, No. 934, Nov. 18 [52943/13].

On the 18th November Sir L. Mallet was able to report a step forward in the negotiations. The Grand Vizier had submitted to the Russian Ambassador a revised version of the Porte's former note. In this fresh note the Porte made two concessions:— Sir L. Mallet, No. 939, Nov. 18 [53083/13].

1. They agreed to the foreign advisers being recommended by the Powers, and

2. They no longer required that disputes between the inspectors-general and the advisers should be decided by the Council of Ministers, but now added instead that no administrative decision was to be taken by the inspectors-general without previous agreement with the advisers, and that, in case of divergence of view, that of the adviser should prevail if agreement was not reached within one month.

M. de Giers, however, had refused to accept these proposals and still insisted on the acceptance of the six original points in his discussions with the Grand Vizier. But he told Sir L. Mallet that he thought it most important to conclude the negotiations as soon as possible, before the Porte had raised a loan, and he was therefore inclined to accept such modifications of the six points as did not affect their usefulness. In this view Sir L. Mallet entirely concurred, considering that, in the present disposition of the Porte and the Powers, it was better to get as much as possible out of the Porte without resorting to threats and to retain their goodwill.

Articles published in the course of November in the "Jeune Turc" and the "Tania" violently opposing any system of European control showed the degree of opposition which the Powers would be likely to encounter if they tried to force on the Porte the acceptance of the original scheme, and on the 28th November Sir L. Mallet reported that the Russian and German Ambassadors had drawn up a fresh scheme, on Sir L. Mallet, No. 953, Nov. 24 [53793/13]. Sir L. Mallet,

No. 958, Nov. 25 [54149/13].

the basis of the recent discussions between M. de Giers and the Grand Vizier. This revised project represented in their view, which was shared by Sir L. Mallet, the maximum which the Porte would be likely to accept at the present moment.

The text of this scheme was as follows:—

"Article 1. La Sublime Porte a décidé de s'adresser aux Puissances pour leur demander de lui recommander deux conseillers qui seront adjoints aux deux inspecteurs généraux que le Gouvernement Impérial ottoman a placé à la tête des deux secteurs de l'Anatolie orientale;

"(*a*.) Erzéroum, Trébizonde, Sivas, et
"(*b*.) Van, Bitlis, Kharpout, Diarbékir.

"La Sublime Porte déclare vouloir conclure avec ces conseillers des contrats et manifeste en même temps de sa résolution d'avoir recours dans l'espace de dix ans à la recommandation des Puissances toutes les fois où ces contrats auraient pris fin.

"Art. 2. Toutes les mesures ordonnées d'un commun accord par l'inspecteur général et le conseiller dans les questions administratives, financières et judiciaires sont définitives et devront être exécutées par les autorités civiles et militaires de qui dépend leur exécution.

"Art. 3. Les inspecteurs généraux exercent le droit de révoquer tous les fonctionnaires de leurs secteurs, droit qui leur a été accordé par les instructions annexées à la note circulaire de la Sublime Porte en date du 1er juillet, 1913, conjointement avec les conseillers.

"Ils auront également le droit de nommer conjointement tous les fonctionnaires et juges dont la nomination n'a pas besoin d'un Iradé Impérial. Quant aux fonctionnaires et juges dont la nomination exige la sanction souveraine, ils auront le droit de présenter leurs candidats à l'approbation de Sa Majesté le Sultan.

"Art. 4. Les 'Instructions relatives aux devoirs et attributions des inspecteurs généraux,' annexées à la note circulaire de la Sublime Porte du 1er juillet, 1913, sub No. 34233/75, seront revues et mises en concordance avec les intentions de la Sublime Porte exprimées dans la présente note.

"Art. 5. Le conseiller est l'autorité immédiate de laquelle dépend le service d'inspection du secteur. Il préside la Commission d'Inspection formée par les inspecteurs en chef toutes les fois qu'il juge à propos de les convoquer.

"Art. 6. Le conseiller vérifiera, soit en personne, soit par les inspecteurs placés sous les ordres, la situation des vilayets de son secteur, de même qu'il vérifiera tous les incidents et les questions administratives, financières ou judiciaires d'ordre général ou de caractère particulier ou privé qui pourraient surgir. Le conseiller examinera les rapports dressés par les inspecteurs et les transmettra à l'inspecteur général, soit directement, soit après avoir fait discuter par la Commission d'Inspection les parties qu'il jugerait nécessaire d'y référer. Le conseiller ajoutera toujours son avis personnel sur les questions faisant l'objet de ces rapports.

"Art. 7. L'inspecteur général mettra en exécution les rapports d'inspection et les décisions de la Commission approuvées par le conseiller et soumis par lui.

"Art. 8. L'inspecteur général ne prendra aucune mesure d'ordre administratif, financier ou judiciaire sans accord préalable avec le conseiller. En cas de divergence entre l'inspecteur général et le conseiller la question en litige sera soumise au Grand Vézirat, qui lui donnera la suite qu'elle comporte (après entente avec les ambassades). Si le différend n'est pas tranché dans le délai d'un mois, c'est l'avis du conseiller qui prévaudra.

"Art. 9. En ce qui concerne les décisions prises par le conseiller relativement aux questions (1) touchant à l'application des lois, ou (2) n'ayant pas un caractère général, ou (3) présentant un caractère d'urgence, elles seront exécutées dans délai et sans recours au Grand Vézirat.

"Art. 10. Les membres élus aux assemblées générales et aux conseils administratifs seront par moitié musulmans et non musulmans.

"Ce même principe d'égalité sera appliqué pour la répartition de toutes les fonctions publiques dans les deux secteurs.

"Art. 11. La compétence législative et budgétaire des assemblées générales sera étendue dans la mesure prévue par le projet de loi de 1880.

"Art. 12. Les recrues domiciliées dans chaque secteur y feront, en temps de paix, leur service militaire. Les régiments Hamidié seront licenciés.

"Art. 13. Les lois, décrets et avis officiels seront publiés dans chaque secteur dans les langues locales. Chaque particulier aura le droit devant les tribunaux et devant

l'administration de faire usage de sa langue. Les jugements des tribunaux seront libellés en turc et accompagnés, si possible, d'une traduction dans la langue des parties.

"Art. 14. Chaque nation a le droit de créer des taxes spéciales pour pourvoir aux besoins de ses écoles. La perception aura lieu sous forme de centimes additionnels.

"Art. 15. Le conseiller présidera la commission qui sera chargée de trancher les conflits agraires et de restituer aux Arméniens les terres dont ils ont été dépossédés.

"Art. 16. La justice sera réorganisée."

As compared with the original Russo-German scheme, it will be seen that the condition that the inspectors-general should be European has been dropped, and no mention is made of control by the Powers through their Ambassadors. Even so M. de Giers was not very sanguine that it would be accepted. As regards the two concessions made, Sir L. Mallet considered the first an actual improvement, as he thought it better that the inspector-general should be an Ottoman subject, as giving the administration an Ottoman exterior, provided the advisers were given (as they would be by article 8 in the new scheme) sufficient power to make their control effective, while, as regards European control through the Ambassadors, the Russian and German Ambassadors considered that no mention of this point (on which Turkish opinion is very sensitive) was needed, in view of the provisions of the Treaty of Berlin, and of the fact that the Ambassadors have an inherent right of intervention.

In presenting this revised scheme, M. de Giers informed the Grand Vizier that it represented the minimum of what the Powers would accept, and added that if it were refused by the Porte, and massacres ensued, he would not answer for what the Russian Government might do. No definite reply had been received from the Porte when Sir L. Mallet last wrote, though at an interview with the Russian Ambassador the Grand Vizier had spoken about a counter-project. Sir L. Mallet, No. 963, Nov. 27 [54387/13].

It was clear, however, that Prince Said Halim was experiencing great opposition in the Council of Ministers, who were strongly opposed to any scheme required by the Powers.

After consultation with the Russian Ambassador, Sir L. Mallet agreed to see the Grand Vizier again, and M. de Giers is going to ask all the representatives of all the Great Powers to take similar action.

Sir L. Mallet has also sent despatches dealing with the following points:—

Nationality of the Advisers.

If the Porte were to accept the scheme, the question of the nationality of the advisers would arise. The Austrian Ambassador in speaking to Sir L. Mallet on this point gave as his opinion that owing to international jealousy and Turkish mistrust it would be necessary to select them from amongst nationals of the minor Powers. Sir L. Mallet agrees that in the circumstances this is the best course, though not without an expression of regret at the exclusion of Englishmen who would, he considers, have been especially suited for the work. Sir L. Mallet, No. 958, Nov. 25 [54149/13].

Appointment of Gendarmerie Officers for Eastern Anatolia.

Sir L. Mallet has seen General Baumann, the French commandant of the gendarmerie, and Colonel Hawker, and explained to them that His Majesty's Government have told the Porte that, pending a decision as to the reforms to be applied in Armenia, they hope the Turkish Government will not undertake any administrative changes involving definite and new appointments of a permanent character of British or other officials. General Baumann has explained that the engagement of the European officers comes to an end next June, so that any appointments which are being made are necessarily of a purely provisional character. He added that the action of the gendarmerie officers, being limited to maintaining order, could have nothing to do with any scheme of reform. Sir L. Mallet, No. 948, Nov. 23 [54382/13].

Sir L. Mallet spoke to the Russian Ambassador on the subject. M. de Giers merely said that if the appointments in question were found to be of a permanent nature, they simply would not be recognised, and he would so inform the Grand Vizier forthwith.

Appeal to His Majesty's Government for Help.

Sir L. Mallet. No. 944, Nov. 28 [54381/13].

In his despatch No. 944 Sir L. Mallet encloses a copy of a *notice confidentielle* received by him from the President of the Lay Council at the Armenian Patriarchate.

This document starts with a historical sketch of the reforms promised to Armenia, but never carried out, in 1878, 1895, and 1908. It then deals with present scheme, and after detailing the various points on which the Powers have given way to the Porte, states that under the present proposals of the Porte there will be no control and no guarantee, nothing in fact but promises of reforms, whose execution will depend entirely on the goodwill of the Ottoman Government. It concludes with an appeal for help to His Majesty's Government, who alone of the Powers still retain Turkey's confidence, and would assuredly be listened to if they spoke.

Eastern Department, December 13, 1913.

[56346] No. 259.

Mr. O'Beirne to Sir Edward Grey.—(Received December 15.)

(No. 381.)

Sir, *St. Petersburgh, December* 11, 1913.

WITH reference to my telegram No. 402 of the 4th instant, I have now the honour to enclose copies of the draft communications to and from the Russian Ministry for Foreign Affairs on the subject of the Shatt-el-Arab Navigation Commission which I drew up in consultation with the Ministry for Foreign Affairs.

I should explain that when you authorised me to discuss the matter fully with the Russian Government I proposed to the Ministry for Foreign Affairs to address them a communication of the nature of the draft embassy *aide-mémoire* as it seemed clear that this offered the only means of deterring the Russian Government from insisting on a change in the text of the Convention of the 11th June, 1913, or on the signature of some fresh additional declaration.

There is a certain apparent contradiction between article 8 of the convention, which stipulates that the Commission's police shall have the exclusive right of effecting arrests, and point (4) of the embassy *aide-mémoire*, which says that the Russian consul shall exercise all his usual functions under the Capitulations. But as the Russian Government would certainly not have formally abandoned whatever rights of arrest, &c., the Russian consul at present possesses under the Capitulations, and as I do not think they would be prepared expressly to admit the right of the Commission to arrest Russian subjects, I thought it best to propose a formula stating generally that the consul continued to exercise his ordinary functions in relation to Russian subjects. This appears to leave intact the right of the Commission to effect arrests, whether *in flagrante delicto* or otherwise, which I understand to be the point of chief importance.

After the text of the proposed communications had been finally agreed on, the head of the eastern section of the Ministry remarked that he presumed that, if some other Power refused to make the concessions regarding the jurisdiction of the Commission to which Russia had consented, Russia would not be placed in a less favourable position than any other nation. I replied that I thought that there was no danger of any other Power refusing to recognise the powers of the Commission, and M. de Klemm did not pursue the subject.

I have, &c.
HUGH O'BEIRNE.

Enclosure 1 in No. 259.

Memorandum communicated to Russian Minister for Foreign Affairs.

EN se référant à l'aide-mémoire du Ministère Impérial du 17 (30) novembre au sujet des droits de police et de juridiction de la Commission de Navigation sur le Chatt-el-Arabe le Chargé d'Affaires d'Angleterre est autorisé à faire les déclarations suivantes :-

1. Le Gouvernement britannique entend bien par la déclaration signée avec le Gouvernement ottoman le 21 octobre et dont le texte est cité dans l'aide-mémoire de l'Ambassade du 23 octobre à 5 novembre, que le drogman du consulat de Russie aura le droit d'assister à l'examen des affaires dans lesquelles les accusés appartiennent à la sujétion russe.

2. Le Gouvernement britannique n'a aucune objection à ce que la perception des amendes sur les sujets russes ainsi que leur détention, le cas échéant, ait lieu dans le consulat. Celui-ci remettra le montant des sommes ainsi perçues à la Commission.

3. Le consul aura le droit de prendre connaissance des affaires et de se mettre en rapport avec la Commission préalablement au jugement de celles-ci.

4. Il est bien entendu que les stipulations de l'article 8 de la Convention anglo-turque du 11 juin ne touchent en rien au droit du consul russe d'exercer ses fonctions, d'après les Capitulations et usages établis, par rapport aux sujets russes, tant à bord des vaisseaux russes sur le Chatt-el-Arabe que sur le territoire riverain de la Commission.

5. En plus des comptes rendus annuels prévus par l'article 15 de la convention, la Commission ne manquera pas, si le consul en exprime le désir, de fournir à celui-ci toutes explications utiles quant au montant des droits prélevés par la Commission, et quant aux travaux qui ont nécessité ces droits. Le consul n'aura, toutefois, pas le droit d'opposer son veto à des travaux jugés nécessaires par la Commission.

Enclosure 2 in No. 259.

Memorandum communicated to Mr. O'Beirne.

L'Ambassade britannique du 23 octobre et du novembre, année courante, se déclare prêt à reconnaître le droit de la Commission pour améliorer les conditions de la navigation du Chatt-el-Arabe de percevoir sur les vaisseaux russes les taxes qui seront fixées en vertu de l'article 11 de la Convention du , année courante, conclue entre la Grande-Bretagne et la Turquie. Le Ministère Impérial ne manquera pas de charger ses consuls de veiller à ce que les vaisseaux russes ne se soustraient pas au payement des taxes et se soumettent aux règlements qui seront établis par la Commission pour les bâtiments de toutes les nations.

Les amendes qui seraient imposées à des sujets russes par le tribunal de la Commission en vertu de l'article 7 de la convention ci-dessus mentionnée et de l'aide-mémoire du Ministère Impérial du 17 novembre courant seront remises par les consuls de Russie à la Commission.

[56551] No. 260.

Board of Trade to Foreign Office.—(Received December 15.)

Sir, *Board of Trade, December* 13, 1913.

WITH reference to your letter of the 4th December transmitting copy of a letter from the Smyrna-Aidin Railway Company, I am directed by the Board of Trade to state, for Sir E. Grey's information, that they are of opinion that the scheme now proposed by the Company is of a reasonable character, and that the Turkish Government may properly be urged to accept it in principle, subject to possible re-adjustment of the figures in the course of negotiations.

I am, &c.
GEO. J. STANLEY.

[52464] No. 261.

Sir Edward Grey to German Chargé d'Affaires.

Sir, *Foreign Office, December* 15, 1913.

HIS Majesty's Government have carefully considered the proposal contained in your note of the 4th ultimo, respecting the publication of intended changes of rates or conditions of transport on the Bagdad Railway.

In reply, I have to inform you that His Majesty's Government concur in this proposal, or they would be willing, should the German Government prefer, to agree to

a stipulation to the same effect being inserted in the explanatory note which it is proposed to attach to the Anglo-German Convention respecting the Bagdad Railway and allied questions.

I have, &c.
E. GREY.

[50643] No. 262.

Memorandum communicated to German Chargé d'Affaires.

HIS Majesty's Government have very carefully considered the counter-draft, communicated by the German Chargé d'Affaires on the 4th November, of the proposed Anglo-German Convention respecting the Bagdad Railway and allied questions, and his note of the 3rd November commenting upon this document.

Sir E. Grey now has the honour to transmit a further draft, which is somewhat amended both in form and in substance.

The changes of form are primarily due to exigencies of procedure, and are designed to meet the fact that certain stipulations must necessarily, in the first instance, be agreed upon between the Ottoman Government and the Bagdad Railway Company or the proposed River Navigation Company, as the case may be.

The changes of substance are largely attributable to the desire of His Majesty's Government to recall the German Government as nearly as possible to the original proposals which they put forward, as a basis of negotiation, on the 7th May, 1913, and from which each successive counter-draft seems to have constituted a further departure. So wide indeed has been the departure that even such important conditions as those contained in section 2 (*b*) and the first and third sentences of section 3 of the memorandum of that date,—which went far to constitute the credit side of the transaction from the British standpoint,—have now, by the wording of the German counter-draft of the 3rd November, 1913 (article 2, clause (*c*), last paragraph, article 4, clauses (*b*) and (*c*), and article 5, clause (*b*)), been substantially whittled away.

His Majesty's Government recognise that the proposals made on the 7th May, 1913, were to some extent tentative and non-committal, and they have accordingly not been unwilling, as the German Government are aware, to concede certain important points in the course of negotiation in the interests of a general settlement; but they are persuaded that they cannot go further in this direction without so weakening the conditions secured in British interests as to expose the whole Convention to unanswerable criticism and therefore to insuperable objection. This will be the more apparent when attention is drawn to the following considerations, a course which His Majesty's Government adopt in no controversial spirit.

The principal desiderata of His Majesty's Government have from the first been, and, as indicated in the present British counter-draft, still are, confined to two points:—

(*a.*) That there should be no change detrimental to British interests in what His Majesty's Government regard as the political *status quo* at the head of the Persian Gulf.

(*b.*) That there should be no sort of discrimination against British trade on the Bagdad Railway.

These points are largely covered by section 2 of the memorandum of the 7th May, 1913, and by the proposal, confidentially explained to Herr von Kühlmann on the same date, for the institution of a Riverain Commission on the Shatt-el-Arab.

On the other hand, the desiderata of the German Government, as conceded in the present counter-draft, are relatively not inconsiderable:—

(*a.*) His Majesty's Government agree to an increase in the Turkish customs duties, an increase which must be borne largely by British trade, seeing that such trade represents some 30 per cent. of the total foreign imports into Turkey; this increase is virtually a *sine qua non* to the successful completion of the Bagdad Railway.

(*b.*) His Majesty's Government undertake not to oppose the construction and management of the proposed railway right down to Basra, the only natural commercial terminus of such a line, by the Bagdad Railway Company. They thereby abandon all claim to British control in the Bagdad–Basra section: it will be recollected that the satisfaction of this claim was at one time a principal condition of British assent to the customs increase.

(*c.*) His Majesty's Government agree that, in the important provinces of Bagdad and Mosul,

where British trade has long been predominant, they will support no railway undertakings either in *direct* competition with the Bagdad Railway Company's lines or with that Company's existing rights.

(*d.*) His Majesty's Government agree not to oppose the acquisition by German interests of 40 per cent. of the share capital allotted to Turkey in the proposed Ottoman River Navigation Company.

(*e.*) His Majesty's Government acquiesce in certain facilities being granted to the Bagdad Railway Company on the River Tigris at Bagdad.

While His Majesty's Government have no desire to exaggerate the disparity between these respective desiderata, they are confident that the German Government will appreciate their attitude in regarding the proposals put forward in the revised counter-draft now enclosed as representing the utmost limit of concession to which they can properly agree.

Sir E. Grey will now proceed to deal *seriatim* with the points raised by Herr von Kühlmann in his covering note of the 3rd November, and to refer when necessary to the corresponding clauses of the counter-draft.

His Majesty's Government are in principle opposed to explanatory notes, holding that a convention itself should be so clear and precise as to require no explanation; nevertheless, they recognise that, in the present instance, many points of detail are involved and that their inclusion in the text of the convention might prove somewhat cumbrous and inconvenient, and they are accordingly prepared to defer to the wish of the German Government, on the distinct understanding that the explanatory note is ratified and published at the same time as the convention.

His Majesty's Government agree to the adoption of the words "system" and "undertaking" as proposed in article 1, clause (*a*), provided they are first furnished with authentic copies of all agreements between the Ottoman Government and the Bagdad Railway Company, and provided they find no occasion for objection in the final text of the supplementary agreements now under discussion at Berlin, as it is clearly essential that they should know precisely what they are asked to

agree to; provided also that it is expressly agreed in the explanatory note that their freedom of action with regard to future variations of the concession is not impaired by this wording.

His Majesty's Government would also agree to the inclusion in the explanatory note of the words "under the express condition that no prejudice of an economic or financial nature is caused to Great Britain in pursuance of this clause." They consider further that the obligations of Great Britain under this clause should be defined in the same document. In the view of His Majesty's Government, Great Britain would be bound, after the signature of this convention and the conclusion of all pending negotiations with Turkey, not to oppose the increase of the Turkish customs duties up to 15 per cent. *ad valorem*, and not to oppose the allocation of a portion of this increase or of existing Turkish revenues for the purposes specified in article 35 of the Bagdad Railway Convention of March 1903: such an obligation would not, however, commit His Majesty's Government in advance to support the allocation of any particular revenues, but merely that of adequate revenues, to such purposes.

His Majesty's Government prefer the words "declare that they will not oppose" to those suggested in article 1, clause (*b*), of the German counter-draft; this undertaking corresponds, moreover, to that which the German Government assume in article 4, clause (*a*).

The addition suggested by the German Government of the words "as representatives of a group of British shareholders" in article 1, clause (*c*), does not commend itself to His Majesty's Government. It is essential that there should be British representatives on the board of the Bagdad Railway, and His Majesty's Government attach importance to an assurance from the German Government that they will use their best endeavours to this end; but it appears to them otiose to enter in the Convention into the technical formalities which the admission of such representatives may entail. Herr von Gwinner explained to Mr. Parker at the German Embassy on the 7th June, 1913, that their admission could only take place in a manner such as is suggested in Prince Lichnowsky's note of the 16th July, 1913, and, subject to the successful formation of a British group, His Majesty's Government intimated

that the arrangements indicated would be satisfactory. While they adhere to this position, they are bound to state that the legal advice which they have obtained respecting the bearing of the statutes of the Bagdad Railway Company and of the provisions of Turkish company law on the question is not quite in accord with the view then expressed by Herr von Gwinner.

In this connexion it must be remarked that the terms outlined by Herr von Gwinner to Sir H. Babington Smith on the 14th June, 1913, are not such as are likely, in the opinion of His Majesty's Government, to encourage British financial participation in the undertaking. The British subscribers are to be required to pay for their shares in full at par, whereas the original shareholders paid actually only one-half of the nominal value of their shares, the remainder being credited to them out of the profits on the construction of the first section of the railway—a course which seems open to criticism on purely financial grounds. Whilst as regards participation in the profits arising from the construction and working of the railway, British shareholders would thus be in a less favourable position than the original subscribers, they are to be required to put themselves in the same position as original subscribers as regards the very onerous obligations of the syndicate for realising the Government bonds. If substantial British financial participation in the enterprise is desired, His Majesty's Government trust that the German Government will use their influence with the Bagdad Railway Company to secure an appreciable modification of the terms suggested.

As regards article 2 certain changes have been made, with a view to greater clearness, in the lettering and numbering of the several clauses and sub-clauses: it will be observed that no alteration of wording is made in clause (*a*), sub-sections (i) and (ii), or in the first paragraph of sub-section (iii); but His Majesty's Government are unable to concur in the proposal that German capital should be represented by directors on the board of any railway which might be built from Basra (Zobeir) to the Persian Gulf. Such a proposal, as has already been pointed out, is in direct conflict with section 2 (*b*) of the memorandum of the 7th May, 1913; it also appears to His Majesty's Government misleading and inequitable to stipulate

that German representation on such a line should be similar as regards conditions and proportion to any British participation on the board of the Bagdad Railway; the counterpart of any such British participation as may be arranged is rather to be found in German participation in the proposed River Navigation Company.

His Majesty's Government attach great importance to all the stipulations which now appear in italics in article 2, clause (*a*), section (iv) of the British counter-draft being "adhered to" by the German Government in the present Anglo-German Convention, even though they may in the first place be the subject of agreement between the Ottoman Government and the Bagdad Railway Company.

Clauses (*b*) and (*c*) of article 2 provide for a British participation, both in the capital and directorate of the company or companies of the ports of Basra and Bagdad, and in the contracts for construction and maintenance, of 40 per cent. of the whole. Such a percentage is, according to Prince Lichnowsky's note of 16th July, what the Bagdad Railway Company are prepared to concede to British interests; as British participation in the port of Basra up to 50 per cent. is not conceded, as suggested in the British note of the 18th September, 1913, His Majesty's Government now revert to the proposal for British participation in both ports.

Clause (*d*) of article 2 appears very desirable in order to ensure complete equality of treatment.

Clauses (*a*) and (*b*) of article 3 have not been altered.

The German Government express a wish that two changes should be made in clause (*c*) of article 3, viz., that the words "in Ottoman territory east of Aleppo" should be substituted for "in the provinces of Mosul and Bagdad," and that the words "or in contradiction with that Company's existing rights." should be inserted after the words "the Bagdad Railway Company's lines."

His Majesty's Government regret that they cannot possibly agree to an extension of the geographical area under this clause; they have had very great hesitation in agreeing even to the area originally suggested, having regard to the established position of British trade and influence in the provinces specified, but they certainly could

not agree to mortgage the future as regards any line which might, at some distant date and under wholly altered conditions, possibly when the Bagdad Railway system is fully developed, be projected from the Mediterranean to Lower Mesopotamia.

His Majesty's Government understand that no project for a competing line with the Bagdad Railway from any point on the Mediterranean is at present under contemplation, and that, as regards the Aleppo-Meskene project, nothing beyond a purely negative obligation has been assumed by the Ottoman Government.

As regards the second alteration of wording suggested in this clause, His Majesty's Government are prepared to adopt it subject to the insertion of the word "either" after "railway undertakings," and provided a satisfactory settlement respecting the oil concessions in Mosul and Bagdad is reached, as they trust may be the case, before the signature of this Convention.

His Majesty's Government do not consider that there is any parallel in fact between German participation in the River Navigation Company and British participation in the ports of Bagdad and Basra: if it is desired to establish a parallel it should be sought, due regard being had to the relative magnitude of the two concerns, between German representation in the River Navigation Company and British representation in the Bagdad Railway Company, which, under the convention of 1903, includes concessions for the ports of Bagdad and Basra.

His Majesty's Government could in no case agree to the wording of article 4, clause (*b*) of the German counter-draft of the 3rd November, any more than they could to that of article 2, clause (*d*) of the same document; they consider it absolutely indispensable that British participation in the ports should be fixed in precise terms in the convention itself at 40 per cent. of the whole, and that German participation in the navigation should be expressly limited in the convention itself to a stated maximum; they are further of opinion that the real facts of the agreement would have to be revealed eventually in Parliament and that no object would therefore be gained by their temporary obscuration. If, however, the German Government are anxious to maintain a spectacular parallel, perhaps the wording of article 4, clause (*b*) of the

counter-draft now enclosed might serve the purpose in view. In agreeing not to oppose German participation, to the extent indicated, in the River Navigation Company, His Majesty's Government take formal note of the assurances contained in the German Ambassador's communication of the 16th July, 1913, to the effect that the German Government does not aim at any combination which could endanger effective British control of the navigation, and that the German Government would therefore be prepared to receive favourably any proposals about voting arrangements which would seem to His Majesty's Government desirable in order to assure the effective British control of the River Navigation Company.

It will be observed that clause (*e*) (i) of article 4 has been amended in form, and that the time limit of five years is re-inserted. His Majesty's Government attach cardinal importance to a specific limitation in the duration of the rights of the Bagdad Railway Company under article 9 of the convention of 1903; they must, in pursuance of section 3 of the memorandum of the 7th May, 1913, continue to press for such a limitation, which is not moreover inconsistent with the terms of agreement between the Bagdad Railway Company and either the "Société de Transports fluviaux" or Messrs. Lynch Brothers.

Sir E. Grey would add that he understands that Messrs. Lynch Brothers are prepared, so far as they are concerned, to conclude an arrangement such as that contemplated under article 4 clause (*e*) (ii).

The changes in article 5 (*b*) have already been explained in substance in Sir E. Grey's memorandum of the 25th November, 1913; slight verbal changes have since been made with the object of greater precision.

His Majesty's Government, after the most careful consideration, are not able to agree to stipulations such as are contained in articles 5 A and 7 of the German counter-draft of the 3rd November; but they would be willing to agree that article 6 of the British counter-draft should be interpreted, so far as possible, in the light of the recommendations of the 9th September, 1913, and that these recommendations should be embodied in the explanatory note: they understand, however, from Hakki Pasha that the specific revenues named in section II of those recommendations

have already been earmarked by anticipation for another purpose—a subject upon which Djavid Bey may possibly be able to throw more light.

While resolutely opposed, for the practical reasons explained in Sir E. Grey's memorandum of the 18th September, 1913, to the system of dual control which a "comité de surveillance" would entail, His Majesty's Government have made a considerable modification in the wording of article 6 in order to meet the criticisms of the German Government, and they earnestly trust that the draft in its present form will be acceptable. A copy of the Anglo-Turkish declaration, respecting the rights enjoyed by the nationals of the Treaty Powers in Turkey, is enclosed.

In order that the document which formed the enclosure in Sir E. Grey's memorandum of the 25th November, 1913, may exactly correspond with the present British counter-draft, a revised version is transmitted herewith.

In conclusion, and while expressing the hope that these negotiations may be completed and the Anglo-German Convention signed in the course of next month, His Majesty's Government would again draw the attention of the German Government to the desiderata of the Smyrna–Aidin Railway Company, which, if dealt with on a sympathetic and broad basis would, they confidently believe, contribute to the ultimate benefit both of the Smyrna–Aidin and the Anatolian Railway systems.

Foreign Office,
December 15, 1913.

Enclosure 1 in No. 262.

Anglo-German Convention.

German Counter-draft of November 3, 1913.

(Note.—Variations from the British draft of September 18, 1913, are printed in italics.)

ARTICLE 1.

Clause (a). Recognising the general importance of the completion of the Bagdad Railway for international commerce, His Britannic Majesty's Government undertake not to take or encourage any measures likely to impede the construction of the Bagdad Railway *system* or to prevent the participation of capital in this *undertaking*.

Clause (b). His Britannic Majesty's Government *agree to* the construction and management of the proposed railway from Bagdad to Basra by the Bagdad Railway Company.

Clause (c). The Imperial German Government declare that they will use their best endeavours to secure that two British directors, agreeable to His Britannic Majesty's Government, shall be admitted *as representatives of a group of British shareholders* to the board of the Bagdad Railway Company.

ARTICLE 2.

The Bagdad Railway Company, having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement, and will use their best endeavours to secure its due execution :—

Clause (a). The terminus of the Bagdad Railway Company's line shall be at Basra, and the Bagdad Railway Company has renounced all claims to construct a branch line from Basra (Zobeir) to the Persian Gulf, referred to in article 1 of the Bagdad Railway Convention of the 5th March, 1903; and to build a port or railway terminus on the Persian Gulf, whether under article 23 of the said Bagdad

Anglo-German Convention.

British Counter-draft of December 15, 1913.

(Note.—Variations from the German draft of November 3, 1913, are, so far as possible, indicated by italics.)

ARTICLE 1.

Clause (a). Recognising the general importance of the completion of the Bagdad Railway for international commerce, His Britannic Majesty's Government undertake not to take or encourage any measures likely to impede the construction of the Bagdad Railway system or to prevent the participation of capital in this undertaking.

Clause (b). His Britannic Majesty's Government *declare that they will not oppose* the construction and management of the proposed railway from Bagdad to Basra by the Bagdad Railway Company.

Clause (c). The Imperial German Government declare that they will use their best endeavours to secure that two British directors, agreeable to His Britannic Majesty's Government, shall be admitted to the board of the Bagdad Railway Company.

ARTICLE 2.

Clause (a). The Bagdad Railway Company having concluded with the Imperial Ottoman Government an arrangement on the following basis, the Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to the said arrangement, and will use their best endeavours to secure its due execution :—

(i.) The terminus of the Bagdad Railway Company's line shall be at Basra, and the Bagdad Railway Company has renounced all claims to construct a branch line from Basra (Zobeir) to the Persian Gulf, referred to in article 1 of the Bagdad Railway Convention of the 5th March, 1903, and to build a port or railway terminus on the Persian Gulf, whether under article 23 of the said Bagdad

German Counter-draft.

Railway Convention or in any other way derived.

Clause (b). No discrimination, direct or indirect, shall be permitted on the Bagdad Railway Company's system, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatever.

Clause (c). In the event of the construction of the said branch line from Basra (Zobeir) to the Persian Gulf being undertaken, adequate arrangements shall be made to secure facilities for through traffic from and to the Bagdad Railway Company's system, and there shall be complete protection against discrimination direct or indirect.

* *In this event German capital would participate in it, and would be represented on the board of this line under exactly the same conditions and in the same proportion as British capital shall be represented on the board of the Bagdad Railway.*

Clause (d). The construction of the proposed port at Basra, authorised by article 23 of the Bagdad Railway Convention of the 5th March, 1903, shall be executed by a separate Ottoman company, wherein British participation, both in the capital and directorate of the port company and in the contracts, *if any*, for construction and maintenance, shall amount to *not less than* 20 *per cent.* of the whole. No duties or charges of whatever nature or under whatever denomination shall be levied by the port company on any vessels or goods which shall not equally, under the same conditions, be imposed in like cases on all vessels or goods, whatever be the nationality of the vessels or their owners, or the ownership or country of origin or destination of the goods, and whatever be the places from which the vessels or goods arrive or to which they depart.

In all that relates to the stationing, loading, and unloading of vessels in the port, no privileges or facilities shall be granted to any vessel or vessels which shall not equally and under like conditions be granted to all other vessels.

* This clause would be inserted in the *note explicative* if His Majesty's Government agreed to have clause (c), article 1, embodied in this note.

British Counter-draft.

Railway Convention or in any other way derived.

(*ii.*) No discrimination, direct or indirect, shall be permitted on the Bagdad Railway Company's system, either as regards facilities or rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatever.

(*iii.*) In the event of the construction of the said branch line from Basra (Zobeir) to the Persian Gulf being undertaken, adequate arrangements shall be made to secure facilities for through traffic from and to the Bagdad Railway Company's system, and there shall be complete protection against discrimination direct or indirect.

(*iv.*) The construction *and exploitation* of the proposed port at Basra, authorised by article 23 of the Bagdad Railway Convention of the 5th March, 1903, shall be *carried out* by a separate Ottoman company.

No duties or charges of whatever nature or under whatever denomination shall be levied by the port company on any vessels or goods which shall not equally, under the same conditions, be imposed in like cases on all vessels or goods, whatever be the nationality of the vessels or their owners, or the ownership or country of origin or destination of the goods, and whatever be the places from which the vessels or goods arrive or to which they depart.

In all that relates to the stationing, loading, and unloading of vessels in the port, no privileges or facilities shall be granted to any vessel or vessels which shall not equally and under like conditions be granted to all other vessels.

The Imperial Ottoman Government reserves to itself the right to confer upon the Commission, which it proposes to entrust with the improvement and maintenance of the navigability of the Shatt-el-Arab, its rights of control over the port of Basra.

German Counter-draft.

British Counter-draft.

The conventions relating to this port, and the statutes of the company to be formed, shall contain provisions expressly preserving the rights of the aforesaid Commission.

Clause (b). The Imperial German Government and His Britannic Majesty's Government agree that they will use their best endeavours to secure that in the separate Ottoman Company for the construction and exploitation of the port of Basra, mentioned in sub-clause (iv) above, British participation, both in the capital and directorate of the port company, and in the contracts for construction and maintenance, shall amount to 40 per cent. of the whole.

Clause (c). The Imperial German Government and His Britannic Majesty's Government agree that they will use their best endeavours to secure that in any Ottoman Company for the construction and exploitation of the port of Bagdad, to be formed under article 6 of the agreement between the Bagdad Railway Company and the Imperial Ottoman Government, mentioned in clause (a) of the present article, British participation, both in the capital and directorate of the port company, and in the contracts for construction and maintenance, shall amount to 40 per cent. of the whole.

Clause (d.) In all that relates to the dues and charges of whatever nature to be levied, and to the facilities to be accorded, in the ports of Basra and Bagdad, goods arriving or to be forwarded by water shall receive identic treatment to those arriving or to be forwarded by rail.

ARTICLE 3.

Clause (a). The Imperial German Government and His Britannic Majesty's Government declare that they will in no case support the construction of a branch from Basra (Zobeir), or from any point of the main line of the Bagdad Railway, to the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government, the Imperial German Government, and the Imperial Ottoman Government.

Clause (b). The Imperial German Government declare that they will in no case themselves establish, or support any claim by any p rsons or corporations whatsoever to establish, a port or railway terminus on the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Govern-

ARTICLE 3.

Clause (a). The Imperial German Government and His Britannic Majesty's Government declare that they will in no case support the construction of a branch from Basra (Zobeir), or from any point of the main line of the Bagdad Railway, to the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Government, the Imperial German Government, and the Imperial Ottoman Government.

Clause (b). The Imperial German Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, a port or railway terminus on the Persian Gulf unless and until there is complete agreement on the subject between His Britannic Majesty's Govern-

German Counter-draft

ment and the Imperial German Government.

Clause (c). His Britannic Majesty's Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, *in Ottoman territory east of Aleppo*, railway undertakings in direct competition with the Bagdad Railway Company's lines, *or in contradiction with that company's existing rights*, unless and until there is complete agreement on the subject between the Imperial German Government and His Britannic Majesty's Government.

ARTICLE 4.

Clause (a). The Imperial German Government, having cognisance of the declaration signed on
1913, on behalf of the Imperial Ottoman Government, concerning navigation on the Rivers Tigris and Euphrates, declare that they will not oppose the execution, nor support any action directed against the execution, of such declaration, so long as the navigation on the said rivers is maintained in substantial accordance with the provisions thereof.

Clause (b). His Britannic Majesty's Government declare that they will not oppose the acquisition by the Bagdad Railway interests of *not less than 20 per cent. of the whole share capital out of the shares* allotted to Turkish interests in the Ottoman Company for river navigation, and their representation on the board of the aforesaid company by one director out of the share of the directorate allotted to Turkish interests.

Clause (c). It is, nevertheless, understood that nothing in this article shall be held to affect the rights conceded by article 9 of the Bagdad Railway Convention of the 5th March, 1903, relative to the conveyance of materials exclusively destined for the construction of the Bagdad Railway, except in so far that it is hereby expressly agreed that the said rights shall cease on the completion of the construction of the Bagdad Railway to Basra.

British Counter-draft.

ment and the Imperial German Government.

Clause (c). His Britannic Majesty's Government declare that they will in no case themselves establish, or support any claim by any persons or corporations whatsoever to establish, *in the provinces of Mosul and Baghdad*, railway undertakings *either* in direct competition with the Bagdad Railway Company's lines, or in contradiction with that company's existing rights, unless and until there is complete agreement on the subject between the Imperial German Government and His Britannic Majesty's Government.

ARTICLE 4.

Clause (a). The Imperial German Government, having cognisance of the declaration signed on 29th July, 1913, on behalf of the Imperial Ottoman Government, concerning navigation on the Rivers Tigris and Euphrates, declare that they will not oppose the execution, nor support any action directed against the execution, of such declaration, so long as the navigation on the said rivers is maintained in substantial accordance with the provisions thereof.

Clause (b). His Britannic Majesty's Government declare that they will not oppose the acquisition by the Bagdad Railway interests of 40 *per cent. of the share capital to be allotted to Turkish interests at the first allotment and the right in respect thereof to subscribe for a rateable proportion of further issues of capital of* the Ottoman Company for river navigation, and their representation on the board of the aforesaid company by one director out of the share of the directorate allotted to Turkish interests.

Clause (c) (i). It is, nevertheless, understood that nothing in this article shall be held to affect the rights conceded by article 9 of the Bagdad Railway Convention of the 5th March, 1903, except in so far that *His Britannic Majesty's Government and the Imperial German Government hereby agree and declare, so far as concerns themselves, that they adhere to, and will use their best endeavours to secure the due execution of, the following provisions of the arrangement referred to in article 2 of the present convention:—*

The Bagdad Railway Company's rights *under article 9 of the aforesaid Convention of the 5th March, 1903, shall not continue to be exercised after the 31st January*, 1919, unless it is shown that no other satisfactory means are available *for the purposes specified in the said article* 9, and in any case they

German Counter-draft.

It is further agreed that if an arrangement to the satisfaction of the parties concerned can be made for the conveyance by river of the aforesaid materials through British or Ottoman agency, His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure the conclusion of such an arrangement.

ARTICLE 5.

The concessionnaire, nominated in pursuance of article 3 of the aforesaid declaration of , 1913, having concluded with the Imperial Ottoman Government an arrangement on the following basis, His Britannic Majesty's Government and the Imperial German Government declare, so far as concerns themselves, that they adhere to the said arrangement and will use their best endeavours to secure its due execution :—

Clause (a). No discrimination shall be permitted by the Ottoman Company for river navigation, either as regards facilities on rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport or in any other manner whatsoever. The Company shall grant no through bills of lading, rebates, or other privileges of any description in respect of goods carried by any ship between any place served by the Company's vessels and any place oversea, unless the same privileges are accorded in respect of similar goods carried under the same conditions and in the same direction between the same places by all ships regularly trading between those places, irrespective of nationality.

Clause (b). The Bagdad Railway Company shall have the right to use *at their stations on the Rivers Tigris and Euphrates*, and within the limits of the port of Bagdad, exclusively for the service of the railway and the said port, small launches, as well as ferries for the transport of passengers and goods from one bank to the other. Such launches shall not exceed tons British measurement.

British Counter-draft.

shall cease on the completion of the construction of the Bagdad Railway to Basra.

(ii.) It is further agreed that if an arrangement to the satisfaction of the parties concerned can be made for the conveyance by river of the aforesaid materials through British or Ottoman agency, His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure the conclusion of such an arrangement.

ARTICLE 5.

Clause (a). The concessionnaire, nominated in pursuance of article 3 of the aforesaid declaration of the 29th July, 1913, having concluded with the Imperial Ottoman Government an arrangement on the following basis, His Britannic Majesty's Government and the Imperial German Government declare, so far as concerns themselves, that they adhere to the said arrangement and will use their best endeavours to secure its due execution :—

No discrimination shall be permitted by the Ottoman Company for river navigation, either as regards facilities on rates of charge for the conveyance of like articles between the same points on account of the ownership, origin, or destination of goods presented for transport, or in any other manner whatsoever. The Company shall grant no through bills of lading, rebates, or other privileges of any description in respect of goods carried by any ship between any place served by the Company's vessels and any place oversea, unless the same privileges are accorded in respect of similar goods carried under the same conditions and in the same direction between the same places by all ships regularly trading between those places, irrespective of nationality.

Clause (b). The Imperial German Government and His Britannic Majesty's Government declare, so far as concerns themselves, that they adhere to, and will use their best endeavours to secure the due execution of, the following provisions of the arrangement referred to in article 2 of the present Convention:—

The Bagdad Railway Company shall have the right, solely for the service of the railway, to employ at Bagdad vessels propelled by steam or by any other motive power, but not exceeding 80 tons British register, and ferry-boats of greater tonnage.

German Counter-draft.

British Counter-draft.

The Port Company referred to in article 2, clause (c), shall have the right to employ at Bagdad vessels propelled by steam or by any other motive power, but not exceeding 80 tons British register, solely for the transport of its officials, workmen, and materials.

At other places on the Tigris or Euphrates wherever the need may arise, the Imperial Ottoman Government undertakes that the proposed Ottoman Company of River Navigation shall be responsible for any ferry service required for the purposes of the railway, according to conditions, and at points, to be settled from time to time by special agreements between the above companies.

ARTICLE 5 A.

His Britannic Majesty's Government and the Imperial German Government will use their best endeavours to secure that the Shatt-el-Arab shall be brought into and permanently kept in a satisfactory state of conservancy in order that sea-going vessels may always be assured of free and easy access to the port of Basra, and to secure, further, that the navigation on the Shatt-el-Arab shall permanently be kept open for sea-going vessels, and be carried on on terms of absolute equality for the vessels of all nations, without regard either to the nationality of the vessels or to their cargoes.

ARTICLE 6.

The Imperial German Government having taken note of the Anglo-Turkish Convention of under which the free navigation of the Shatt-el-Arab is assured to the shipping of all nations and a commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the Convention are conducive to the best interests of international commerce, will, so long as the duties imposed upon the Commission by the said Convention are satisfactorily carried out, uphold the Convention, and will undertake that German subjects and German shipping shall comply therewith, and with all regulations issued by the Commission, and shall duly discharge all obligations properly imposed upon them in pursuance of the provisions of the said Convention.

ARTICLE 6.

(a.) The Imperial German Government having taken note of the Anglo-Turkish Convention of under which the free navigation of the Shatt-el-Arab is assured to the shipping of all nations and a commission is established for the execution of such works as may be necessary for the improvement of its channel and for its maintenance and for other like purposes set out therein, and being of opinion that the provisions of the Convention are conducive to the best interests of international commerce, will, so long as the duties imposed upon the Commission by the said Convention are satisfactorily carried out, uphold the Convention, and will undertake that German subjects and German shipping shall comply therewith, and with all regulations issued by the Commission, and shall duly discharge all obligations properly imposed upon them in pursuance of the provisions of the said Convention.

German Counter-draft.

It is, nevertheless, understood that this stipulation in no wise affects the privileges and immunities granted to the German Empire by the Capitulations.

A "Comité de Surveillance" shall be established composed of those foreign consuls resident at Basra whose flag is represented by steamship lines regularly trading with that port. The "Comité" shall correspond directly with the River Commission, to be established by the Imperial Ottoman Government, on all matters affecting the conservancy of the Shatt-el-Arab and the dues to be levied on that river; it is, however, understood that the functions of the "Comité" shall be advisory and not executive. The "Comité" will see that dues shall be imposed, not for the mere fact of navigation, but only for repaying sums actually spent on improvements in the navigation of the Shatt-el-Arab and harbour facilities. They shall in no case exceed 1 fr. per registered ton (the dues to cover the coming in and going out of the same vessel); any dues shall be levied on a basis of absolute equality without regard to the nationality of sea-going vessels or their cargoes.

British Counter-draft.

The Imperial German Government take note in this connection of the declaration, signed on the and attached to the said Convention, to the effect that articles 7 and 8 of the above Convention do not affect the rights enjoyed in the Ottoman Empire by the nationals of the Treaty Powers.

His Britannic Majesty's Government on their part undertake that they will not, without a preliminary agreement with the Imperial German Government, consent to the imposition of dues exceeding 1 franc per registered ton.

(b.) If at any time any of the Governments most interested by reason of the magnitude of their shipping on the Shatt-el-Arab are of opinion that the duties imposed upon the Commission are not satisfactorily carried out, or that the reasonable requirements of the commerce of the river in matters within the competence of the Commission are not adequately met, and if the Commission in such case has not seen its way to give effect to important recommendations laid before it in the interests of shipping, with the object of removing the above-mentioned causes of complaint, His Britannic Majesty's Government will use their good offices with the Imperial Ottoman Government to ensure the reference to a Board of Enquiry of the questions whether in any particular respects the duties of the Commission have not been satisfactorily carried out, and whether there is good ground for thinking that the Commission, if maintained, will not be able to provide for the reasonable requirements of the commerce of the river.

This Board shall consist of five members to be drawn from the Powers most interested by reason of the magnitude of their shipping in the Shatt-el-Arab; the Ottoman member of this Commission shall be the President.

The Board of Enquiry shall, unless the time is extended with the consent of all parties, publish its report within four months of its appointment. The Government of His Britannic Majesty will use their good offices with the Imperial Ottoman Government to ensure that the proposals contained in such Report are carried out.

ARTICLE 7.

The preceding arrangements for the final settlement of all questions connected with the Bagdad Railway shall cease to be operative if the Shatt-el-Arab, after a reasonable time, has not been brought into

German Counter-draft.

a satisfactory state of conservancy in order that sea-going vessels may always be assured of free and easy access to the port of Basra.

ARTICLE 8.

Any difference of opinion arising out of this declaration shall be submitted to arbitration. If the two Governments fail to agree about a special Court or arbiter, the case shall be submitted to The Hague Tribunal.

British Counter-draft

ARTICLE 7.

Any difference of opinion arising out of this declaration shall be submitted to arbitration. If the two Governments fail to agree about a special Court or arbiter, the case shall be submitted to The Hague Tribunal.

Enclosure 2 in No. 262.

Revised Official British Draft of proposed Agreement between Bagdad Railway Company and Ottoman Government.

I.

BASSORA est fixé comme point terminus de la ligne du Chemin de Fer de Bagdad.

La Société du Chemin de Fer de Bagdad renonce à la concession de la construction et l'exploitation de l'embranchement partant de Bassora (Zobéir) ou de tout autre point de la ligne et aboutissant à un point du Golfe Persique (article 1er, No. 4, de la Convention du 20 février (5 mars), 1903); ainsi qu'au droit de construire et exploiter un port à un point situé au Golfe Persique (article 23 de cette même Convention).

II.

La Société du Chemin de Fer de Bagdad confirme qu'elle continuera comme par le passé à appliquer à toutes les marchandises d'une catégorie identique qui pourront lui être présentées en vue d'être transportées par chemin de fer, entre les mêmes stations et dans les mêmes conditions, un régime parfaitement égal, tant pour le tarif en vigueur qui leur sera imposé que pour les facilités dont elles jouiront, quels que soient respectivement :

(*a.*) Le pays d'origine des marchandises importées dans l'Empire ottoman ;

(*b.*) Le pays de destination des marchandises exportées de l'Empire ottoman ;

(*c.*) Les pays d'origine et de destination des marchandises en transit par l'Empire ottoman ; et

(*d.*) Le pavillon et l'armateur des bâtiments sur lesquels les marchandises sont importées ou exportées par les ports ottomans.

La Société du Chemin de Fer de Bagdad consent, en outre, à ce que les délais fixés par l'article 21 de son Cahier des Charges, touchant les avis préalables à donner en cas de modification des conditions ou des prix des tarifs, soient uniformément portés à deux mois.

Ces avis seront insérés dans le Journal Officiel du Gouvernement Impérial ottoman et dans le Journal de la Chambre de Commerce Ottomane de Constantinople.

Les mots "les mêmes conditions" employés dans le présent article signifient les mêmes conditions de poids, d'emballage et de vitesse (grande, petite ou autre), la même catégorie de marchandises et les mêmes stations de départ et d'arrivée.

Ces dispositions s'étendront dans la mesure où elles y sont applicables au régime appliqué par la Société du Chemin de Fer au transport des voyageurs entrant dans l'Empire ottoman, le quittant ou traversant son territoire, et de leurs bagages. Toutefois, elles ne s'appliqueront pas au transport des émigrés et des indigents et de leurs bagages. Aux fins du présent alinéa, le terme "émigrés" se rapporte aux personnes venues s'établir dans les limites de l'Empire ottoman qui sont transportées par les soins de la Commission des Émigrés.

III.

En cas d'exécution d'un embranchement de Bassora ou de tout autre point de la ligne principale, au Golfe Persique, des arrangements seront conclus en vue de faciliter le trafic direct, sans rupture de charge, de et vers le réseau du Chemin de Fer de Bagdad, et il y aura sur cet embranchement une protection complète contre toute tarification différentielle, soit directe ou indirecte, comme cela est prévu à l'article 2 pour le Chemin de Fer de Bagdad.

IV.

Le Gouvernement Impérial ottoman s'engage à faire exécuter, par la commission mentionnée à l'article V des présentes, les travaux nécessaires

pour l'amélioration des conditions de la navigation sur le Chatt-el-Arab, afin de maintenir, dans la mesure du possible, le chenal du fleuve libre de toutes espèces d'obstacles, et ladite commission viserait de prime abord, au moins jusqu'au port de Bassora, une profondeur de 21 pieds au-dessous du niveau de la pleine mer de la grande marée.

V.

La construction et l'exploitation du port de Bassora, prévues à l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903, seront assurées par une Société anonyme ottomane à former dans ce but et dont les actes de concessions et les statuts seront arrêtés d'un commun accord entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad.

Le Gouvernement Impérial ottoman se réserve le droit de conférer ses droits de contrôle sur le port de Bassora à la commission qu'il se propose de charger de l'amélioration et du maintien de la navigabilité du Chatt-el-Arab.

Les conventions relatives à ce port et les statuts de la société à constituer contiendront des dispositions sauvegardant expressément les droits de ladite commission.

VI.

La construction et l'exploitation du port de Bagdad, prévues à l'article 23 de la Convention du Chemin de Fer de Bagdad du 5 mars, 1903, seront assurées par la Société prévue à l'article 5 des présentes ou par une Société anonyme ottomane à former dans ce but et dont les actes de concessions et les statuts seront arrêtés d'un commun accord entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad.

VII.

Aucuns frais, n'importe sous quel titre, ne seront imposés dans les ports de Bassora et de Bagdad aux navires et aux marchandises, quels que soient la nationalité, le propriétaire, le pays d'origine ou de destination des marchandises, et quels que soient les lieux de provenance ou de destination des navires et des marchandises, en tant qu'il ne s'agira pas d'une mesure générale

applicable indistinctement et uniformément à tout le monde, sans exception et sans privilège spécial d'aucune sorte, en faveur de qui que ce soit.

Pour tout ce qui a rapport aux frais quelconques à imposer dans lesdits ports, et aux facilités à accorder, un traitement identique sera assuré aux marchandises transportées ou à transporter par voie d'eau et à celles transportées ou à transporter par chemin de fer.

Pour tout ce qui concerne le stationnement, l'embarquement et le débarquement des navires dans ces deux ports, aucuns privilèges ou facilités ne sauraient être accordés à des navires quelconques, en tant que lesdits privilèges et facilités ne seront pas accordés également et dans les mêmes conditions, à tous les autres navires.

VIII.

La Société du Chemin de Fer de Bagdad aura la faculté d'employer à Bagdad, pour le seul service du chemin de fer, des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum et des bacs (ferry-boats) d'un tonnage supérieur.

Les recettes du service susvisé restent acquises à la Société du Chemin de Fer de Bagdad.

La Société constituée en vertu de l'article 6 des présentes, aura la faculté d'employer à Bagdad des bateaux à vapeur, ou à toute autre force motrice, de 80 tonnes registre anglais au maximum, pour le seul transport de son personnel, de ses ouvriers et de son matériel.

Le matériel fluvial susmentionné jouira de toutes les exemptions de droits d'entrée et autres, dont jouit le matériel roulant du chemin de fer, et il sera de même exonéré de tous impôts, redevances ou taxes, de navigation et autres.

Les combustibles nécessaires pour ce service jouiront de la franchise douanière au même titre que ceux consommés par le chemin de fer, et celui-ci aura le droit d'en opérer le transport dans les mêmes conditions que ceux destinés à son exploitation.

Partout ailleurs où le besoin s'en ferait sentir, soit sur le Tigre, soit sur l'Euphrate, le Gouvernement Impérial Ottoman s'engage à obtenir de la Société Ottomane de Navigation Fluviale à constituer qu'elle se charge de tout

service de bacs, à établir pour les fins du chemin de fer, selon des conditions, et aux endroits, à déterminer de temps en temps par contrat spécial entre les susdites Sociétés.

IX.

Les droits de la Société du Chemin de Fer de Bagdad, découlant de l'article 9 de la Convention du 20 février (5 mars), 1903, ne resteront plus en vigueur à partir du 31 décembre (n.s.), 1918, sauf le cas où il serait démontré qu'il n'existe pas d'autre moyen satisfaisant aux besoins spécifiés audit article 9, et, en tous les cas, lesdits droits seront déterminés dès que la construction du Chemin de Fer de Bagdad aura été complétée jusqu'à Bassora

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Enclosure 3 in No. 262.

Déclaration.

LES Soussignés, dûment autorisés à cet effet par leurs Gouvernements respectifs, déclarent ainsi qu'il suit :—

Il est bien entendu que les clauses des articles 7 et 8 de la Convention relative à l'Établissement d'une Commission pour améliorer les Conditions de la Navigation du Chatt-el-Arab, conclue le 29 juillet, 1913, ne modifient en rien les droits dont jouissent actuellement en Turquie les ressortissants de certaines Puissances en vertu des traités existants.

En foi de quoi les Soussignés ont signé la présente Déclaration.

Fait à Londres, en double original, le 21 octobre, 1913.

E. GREY.
I. HAKKY.

[56098] No. 263.

Sir Edward Grey to Sir L. Mallet.

(No. 454.)
Sir, *Foreign Office, December* 16, 1913.

I TRANSMIT to your Excellency herewith copy of a despatch which I have addressed to His Majesty's Ambassador at Paris,* relative to the question of the disposal of the Ægean islands and the rights of the Smyrna–Aidin Railway Company in the neighbourhood of Adalia in connection with the wish of the Italian Government to obtain concessions in that region.

A perusal of the papers preserved in the archives of this Department which deal with the enterprise of the British railway company shows that article 2 of the convention of the 6th October, 1906, for the extension and prolongation of the Smyrna–Aidin Railway, stipulates that no concession shall be granted, without the consent of the company, to any third party for a line in the direction of the Smyrna–Aidin system, or the Anatolian or Bagdad system, during the term of the Smyrna–Aidin concession.

* Not printed.

It appears that in the course of the negotiations leading up to the conclusion of this convention, Sir N. O'Conor endeavoured to obtain for the Smyrna–Aidin Railway Company an option for the eventual construction of a branch line to Adalia. The Ottoman Council of Ministers were opposed to the grant, and article 2 of the convention was accepted by the company as a solution of the difficulty.

There would appear to be no mention in the correspondence of an option for the construction of harbour works, though this may have been included in the desired option for the construction of the railway line to Adalia.

I should be glad if your Excellency would furnish me with any additional information on this point which may be in possession of His Majesty's Embassy, and I transmit to you herewith, for your assistance, a list of references to the papers which have been consulted here on the subject.

I am, &c.
E. GREY.

List of References.

Foreign Office to Constantinople, No. 121, July 30, 1906.
Constantinople telegram No. 164, August 21, 1906.
Constantinople, No. 580, August 21, 1906.
Foreign Office to Constantinople, No. 393, September 4, 1906.
Constantinople, No. 636, September 14, 1906.
Constantinople, No. 713, October 24, 1906.

[54034] No. 264.

Foreign Office to Ottoman Railway from Smyrna to Aidin.

(Confidential.)
Sir, *Foreign Office, December* 16, 1913.

I AM directed by Secretary Sir E. Grey to state, for the confidential information of your board, that the Italian Government have made a communication to His Majesty's Government professing absolute confidence in there being no conflict between their Adalia "permis d'études" and the rights of your company, and that they wish accordingly to enter into communication with your board in order to arrive at a friendly agreement.

Sir E. Grey has intimated his concurrence in that course, on the supposition that the Italian view of this "permis d'études" and its bearing upon the rights of the British company is accurate; and I am to add that he would welcome any arrangement which would be satisfactory to the latter, but that, as he is in ignorance of the terms of the Italian concession, he has explained that he can form no opinion as to the reasonableness of the Italian proposal.

I am, moreover, to express Sir E. Grey's confident hope that you will afford this Department an opportunity of examining any proposals which may reach your board from the Italian Government or interests concerned before committing your company to accept them.

The Italian Government have enquired to whom they should address themselves for the purpose of entering into communication with your company. Sir E. Grey presumes he will be correct in replying that such communications should, if in writing, be addressed to you, but that should a desire for verbal discussions be expressed, your directors would, in accordance with the confidential intimation made by Lord Rathmore, entrust the conduct of such negotiation to Messrs. Slaughter and May, acting on behalf of the company.

As Sir E. Grey has already intimated, he would deprecate the transfer of any portion of the negotiations concerning your company away from London; and it is hoped that those which concern more especially the Turkish Government and the Anatolian Railway may be actively entered upon by this Department with Hakki Pasha on the return of his Highness to London about the 7th January.

I am to transmit to you the accompanying copy of a memorandum, communicated on the 27th ultimo to the Ottoman Government by His Majesty's Ambassador at Constantinople,* fully reserving the rights of your company in case it should be found that the Italian concession would in fact encroach upon them.

I am, &c.
E. A. CROWE.

[54921] No. 265.

Foreign Office to Board of Trade.

Sir, *Foreign Office, December* 17, 1913.

WITH reference to the letter from this Office of the 14th ultimo, forwarding a fresh draft, communicated by Hakki Pasha, of the British portion of the proposed Anglo-Turkish Agreement, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a letter from the Euphrates and Tigris Steam Navigation Company (Limited),† asking whether a monopoly of the sale of petroleum in Turkey, if established, would interfere with a contract into which they propose to enter with the Anglo-Persian Oil Company (Limited) for the supply of oil fuel to the steamers of the latter running on the rivers of Mesopotamia.

I am to state that, subject to any observations which the Board of Trade may wish to offer on this point, Sir E. Grey would cause the company to be informed, in reply, that what the Turkish Government have proposed is a monopoly for the distribution of oil—"comprenant seulement le pétrole d'éclairage, les essences et le produit liquide du pétrole"—and that His Majesty's Government do not interpret these words as including oil fuel, and would in no case agree to the inclusion of the latter.

It might be added that the negotiations with Hakki Pasha are in suspense till next month, when more definite information will be available.

Mr. Parker recently discussed the subject orally with Colonel Picot, who stated that the Anglo-Persian Oil Company were pressing his company to make an early contract, but that delay would cause the latter no inconvenience.

I am, &c.
EYRE A. CROWE.

[54383] No. 266.

Foreign Office to India Office.

Sir, *Foreign Office, December* 18, 1913.

WITH reference to the letter from this Office of the 16th September last, relative to the boundary of the Aden Protectorate, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a despatch from His Majesty's Ambassador at Constantinople on the subject of the proposal to ratify the protocols of delimitation.‡

I am to state that Sir E. Grey would be glad to receive any observations which the Marquess of Crewe may have to offer on the suggestion contained in the last paragraph of Sir L. Mallet's despatch, that the occasion should be utilised to induce the Ottoman Government to abandon their claim for the recognition of the inhabitants of Shahr and Mukalleh as Ottoman subjects.

I am further to transmit a memorandum prepared in this Office relative to the status of these people.§

I am, &c.
EYRE A. CROWE.

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* Enclosure in No. 219.
† Euphrates and Tigris Steam Navigation Company (Limited), December 4, 1913.
‡ No. 201. § No. 226.

[57105] No. 267.

India Office to Foreign Office.—(Received December 19.)

Sir, *India Office, December* 18, 1913.

I AM directed by the Secretary of State for India to forward, for the information of the Secretary of State for Foreign Affairs, copy of a telegram that has been received from the Government of India reporting the desire of the Sheikh of Koweit for a short loan of two lakhs.

The Marquess of Crewe thinks that Sir E. Grey will agree with him that it is especially undesirable at the present juncture that the Sheikh should have any inducement to look to any other Power for money, and he therefore trusts that the approval of the Lords Commissioners of the Treasury may be obtained on the terms indicated in Sir G. Murray's letter of the 7th May, 1909.

I am to ask for the favour of a very early reply.

I am, &c.
T. W. HOLDERNESS.

Enclosure in No. 267.

Government of India to the Marquess of Crewe.

(Telegraphic.) P. *December* 11, 1913.

DISTRESS is being caused at Koweit by depressed state of Bombay pearl market. The Sheikh has to make temporary loans to anyone affected, and is in need of ready cash; he therefore asks to be lent 2,00,000 rupees on terms set forth in our telegram of 22nd February, 1909. Sir P. Cox and Captain Shakespear support his request, which we recommend. Half of the loss, if any, on the transaction and half loss of interest would presumably be borne by Imperial funds. In former cases we have had no difficulty in recovering loans from the Sheikh, and no difficulty of this sort is anticipated in present instance.

Favour of early instructions is solicited.

[57433] No. 268.

Sir M. de Bunsen to Sir Edward Grey.—(Received December 22.)

(No. 201. Confidential.)

Sir, *Vienna, December* 19, 1913.

COUNT BERCHTOLD has now made his last speech on foreign affairs both in the Austrian and the Hungarian Delegations. The votes in both Assemblies on the Secret Service Fund display a very qualified approval of his policy, and the constant repetition against him of the same charges throughout the discussions show that his explanations have not been convincing. Criticism tended always to concentrate on three principal points, namely, (1) his failure to define before the war the sphere of Austro-Hungarian interests which the Servians should not be allowed to transgress, (2) the use made of the Prochaska incident to stir up warlike feeling, and so to justify mobilisation, and (3) the alienation of Roumania by pressing for revision of the Treaty of Bucharest. To these indictments he replied generally that to draw a hard and fast line beyond which Servia was not to penetrate would have meant war, and would have exposed the Monarchy to the reproach of seeking to check the expansion of the Christian States of the Balkans; that no unnecessary mystery was kept up in the Prochaska case by the press bureau; and that every effort had been made to retain the friendship of Roumania.

From a usually well-informed quarter I have heard that Count Berchtold may shortly take the opportunity of resigning his present office. An indication pointing

that way is perhaps to be found in the fact that the office of Chief Chamberlain, recently rendered available by the death of Count Gudenus, is not yet filled up. Count Berchtold is thought to be peculiarly well fitted for the post, which requires a man of cultivated taste to take charge of the Imperial art collections. Possibly this office is being kept open for him. But the Emperor may think it more important to keep him where he is. Personally, Count Berchtold is known to desire relief from the unceasing work of the Foreign Office. Whatever may be said eventually of the results of his policy, the Monarchy must feel relieved of a great anxiety by the dissolution of the Balkan Alliance, and, as a set-off against the vast expenditure involved in mobilisation, it may well point to the greatly increased power and efficiency of the joint army which have by this means been secured without the actual risks of war.

I have already reported by telegraph that the French and Russian Ambassadors are supporting here your proposals for a general settlement of the islands question. M. Dumaine had several times spoken to me on the subject of the islands before your instruction came. Personally, he had inclined towards a solution founded on the formation of a purely nominal Turkish Governorship for the whole of the Ægean islands, both those in Greek and those in Italian occupation, excepting always the two nearest to the mouth of the Dardanelles. The islands would all have obtained under this arrangement the autonomy which you are now proposing to reserve to the Dodecanese under Turkish sovereignty. His Excellency had sounded M. Streit, the universally consulted Greek Minister, as to how far Greece would fall in with such a suggestion. M. Dumaine was led by M. Streit's reply to think that Greece would have reluctantly accepted. When, therefore, I informed him of your proposals he expressed some surprise at the contemplated exemptions of Mitylene and Chios from Turkish sovereignty. He has since learned that his Government entirely agrees with your view, which he is wholeheartedly supporting at Vienna, though himself very apprehensive of resistance at Constantinople assuming proportions which it will require force to overcome.

To me the Greek Minister, as I have remarked in another despatch, has not concealed his opinion, formed possibly since he has become aware of the British proposal, that war would result from the attempt on the part of Turkey to take possession of the islands now held by Greece.

M. de Tschirschky, German Ambassador, is himself not unfriendly towards the Greeks, and I presume his feelings on this point correspond to the present direction of German policy. He has assured me of the desire which would be felt at Berlin to meet, as far as possible, any proposal coming from yourself. On the other hand, he has expressed himself to me as being very doubtful whether your proposals, useful though he admits them to be, can be realised in their present form. He fears desperate resistance from Turkey, considerable hesitation at Rome, and that in any case a long negotiation will be required.

The Turkish Ambassador, Hilmi Pasha, informed me yesterday that he had enquired at Constantinople as to the impression made there by the press accounts of your proposals. He had been told in reply that the Turkish Government could not acquiesce in a transference of sovereignty from Turkey to Greece over islands lying in the close vicinity of the coast of Asia Minor. Turkey, indeed, had agreed, with Greece, to leave the disposal of the islands in the hands of the Great Powers, but in doing so had expressly stipulated that due account should be taken of legitimate Turkish claims. I do not know whether, in making these remarks, his Excellency referred to any specific communication made by Turkey to the Powers in this connection.

The French Ambassador is to see Count Berchtold to-day on the subject of your proposals. The new Russian Ambassador, M. Shebeko, has already seen his Excellency and spoken strongly in support of them. Count Berchtold could not give him any indication of what would be his final decision. It is perhaps as well that, before giving me his views, Count Berchtold should have had an opportunity of hearing how the question is regarded in Paris and St. Petersburgh.

I have, &c.

MAURICE DE BUNSEN.

[57611] No. 269.

Board of Trade to Foreign Office.—(Received December 22.)

(Confidential.)

Sir, *Board of Trade, December 19, 1913.*

WITH reference to your letter of the 15th December, and to previous informal inter-departmental communications on the subject of the Mesopotamian Oil concession, I am directed by the Board of Trade to forward to you herewith, for Sir E. Grey's information, copies of certain recent correspondence with Herr Emil Stauss and Mr. C. Greenway, together with a departmental minute on conversations between these two parties.

As regards the four conditions which are stated in Mr. Greenway's letter of the 9th December to be essential to the acceptance, by the group which he represents, of the scheme for an equal division of interests between that group on the one hand and the Deutsche Bank and Anglo-Saxon Company groups on the other hand, the Board see no prospect whatever of inducing the two latter groups to agree to the third condition, as to the chairmanship, and think it unlikely that they would agree at the present stage to the fourth condition, as to the managing agents. The other two conditions suggested by Mr. Greenway's group, as to the financing of the prospecting and operating companies, do not appear to raise any insurmountable difficulties; though objection might be taken to them by the Anglo-Saxon group, they would, it is understood, be not inacceptable to the Deutsche Bank.

After the fullest consideration the Board see no reason to modify their opinion that, in all the circumstances, the scheme outlined in the memorandum of Sir H. Llewellyn Smith's conversation with Herr Stauss of the 14th November, 1913 (copy of which has been communicated to your Department) is of such a nature as to offer reasonable satisfaction of Mr. d'Arcy's equitable claims in respect of the Mesopotamian concession, and adequate protection for the interests of the Anglo-Persian Oil Company. It also represents, in their opinion, the maximum participation, in capital and control, which could be obtained for Mr. Greenway's group by negotiation on the present lines.

I am to suggest, therefore, for Sir E. Grey's consideration, that Mr. Greenway should be informed that the Board have ascertained that whilst the first two conditions laid down in his letter of the 9th December would probably not be acceptable to one of the two other groups interested in this matter, there is as regards the third and fourth conditions no prospect whatever that His Majesty's Government would be able to induce either of the groups to go beyond the proposals already communicated to him. He might further be informed that His Majesty's Government remain of opinion that those proposals offer a reasonable solution of a very difficult problem, and should satisfy Mr. D'Arcy's equitable claims; and that Sir E. Grey can hold out no hope of obtaining better terms. Mr. Greenway might then be requested to inform His Majesty's Government definitely at an early date whether the group which he represents are willing to enter into an arrangement on the terms which have been communicated to them, or would prefer to stand out of the Mesopotamian concession altogether, these being the only alternative courses.

In this connection I am to state that the Board have reason to believe that in the event of the Anglo-Persian group not wishing to proceed further in the matter, the participation of another British group would be acceptable to the Deutsche Bank.

The Board would be glad to have the opportunity of seeing the draft of any letter which Sir E. Grey may propose to address to Mr. Greenway, and I am to suggest that the Admiralty should also be consulted before its despatch.

The Board see no objection to Herr Stauss's suggestion, mentioned in some of the papers sent herewith, that the Anglo-Persian or some other British Group should take the place of the National Bank in the Turkish Petroleum Company, but they think it should be made absolutely clear that such action would not pledge His Majesty's Government to support the company for any particular concession in any part of Turkey other than Mesopotamia.

Finally, I am to refer to Sir Eyre Crowe's letter of the 15th December, and to suggest, for Sir E. Grey's consideration, that Sir H. Babington Smith might be informed that whilst His Majesty's Government cannot raise any objection to the immediate transference of the National Bank's shares to the Deutsche Bank and the Anglo-Saxon Company, should the National Bank think such a course desirable, they

think it might be more convenient if any action in this particular matter could be deferred for about a month, by which time it is hoped that a solution of the whole question may have been reached. In any event the arrangements to be made in respect of M. Gulbenkian's shares, and his relations with any of the groups at present represented in the Turkish Petroleum Company, would not appear to be matters in which His Majesty's Government, or any British group which may be introduced into the concession company, are in any way concerned.

I am, &c.
GEO. J. STANLEY.

Enclosure 1 in No. 269.

Sir H. Llewellyn Smith to Herr Stauss.

Dear Mr. Stauss, *Board of Trade, December 5, 1913.*

I AM very sorry to hear from Mr. Ashley that your meeting with Mr. Greenway has not resulted in an arrangement satisfactory to both sides.

In thinking over the best means of removing the present deadlock, it has occurred to me that one possible method might be for each of the parties concerned to part with a small percentage of their holdings to a neutral group nominated by His Majesty's Government. Thus, if for the sake of argument the shares of the various parties, instead of being 25, 25, and 50, as contemplated in our recent conversation, were 23, 23, and 46 (or 24, 24, and 48) and the balance were held by some such netral group as I have suggested, it might then be possible to safeguard the legitimate interests of each of the parties, and at the same time to make it impossible for any of them to retard the development of the Mesopotamian oil-field. For this purpose, it would of course be necessary that a binding assurance should be given that the neutral group would throw its influence in favour of the commercial development of the Mesopotamian oil-fields.

If you think that there is any possibility of an advance on these lines, perhaps you would let me know. I have no idea how the Anglo-Persian group would regard the proposal, but I could readily find out, if you thought well of it.

Yours very truly,
H. LLEWELLYN SMITH.

Enclosure 2 in No. 269.

Herr Stauss to Sir H. Llewellyn Smith.

Dear Sir Hubert, *Savoy Hotel, London, December 6, 1913.*

I BEG to thank you for your yesterday's letter and, though your proposal of putting in another neutral group is very interesting, I think we would prefer to settle the question on the lines hitherto considered. Practically we have identified ourselves always with the axiom outlined in your letter for a neutral group, and we would be quite willing to give an undertaking that we shall use our voting influence in the company in favour of such development. I have also informed Mr. Greenway that I am in harmony with the financial plan which he has communicated to me, therefore, so far as we are concerned, everything should be in order.

I shall leave here on Thursday morning, and remain,

Yours very truly,
STAUSS.

Enclosure 3 in No. 269.

Mr. Greenway to Mr. Barnes (Board of Trade).

Winchester House, Old Broad Street,
Dear Mr. Barnes, *London, December 9, 1913.*

I REGRET to inform you that I have received a letter, of which I enclose a copy, from Herr Stauss advising me that he cannot see any other way for co-operation than an arrangement which would limit the participation of our group to 50 per cent.

Moreover, in the course of the conversation I had with him a week ago he mentioned that they would not be agreeable to the permanent appointment of a British chairman with a casting vote, but that their proposal was that the appointment should be held for a term of one year only, and that the nomination for it should be alternatively made by the German and the British groups.

This renders the proposal even worse than was anticipated by us at the meeting recently held at your office, as it makes it more than ever certain that the control would in effect be foreign, inasmuch as it would be practically impossible for our group, with only a 50 per cent. participation in capital and an even vote on the board, to resist the pressure which would be brought to bear upon us by the two powerful foreign groups. In other words, the Mesopotamian Company would, as we have always feared, unquestionably be used as a weapon of attack on the Anglo-Persian Oil Company (Limited).

In view of the seriousness of the position we have carefully considered the possible courses open to us, in the light of the suggestions which you kindly put before us at our recent interview, and have come to the conclusion that the only basis upon which a 50 per cent./50 per cent. participation would give us the necessary amount of protection is the following:—

1. That a syndicate to prospect and test the Mesopotamian fields be formed with a capital of 100,000*l.* (or, if necessary, 200,000*l.*), 50 per cent. of the capital of which would be taken by our group and 50 per cent. by the Turkish Petroleum Company.

2. That the members of this syndicate shall undertake to form a working company with a capital of not less than 1,000,000*l.* should they be satisfied with the examination of the fields—the capital of such company, if so desired by any member, to be raised by a public issue of debentures and /or shares.

3. That the chairman of such syndicate and /or company shall always be nominated by us, and shall have a casting vote, the other members of the board being nominated half by us and half by the foreign group.

5. That the firm of Strick, Scott and Co. (Limited), of Bagdad, shall be appointed the permanent managing agents of the syndicate and /or company in Turkey.

The reason for limiting the issue of capital in the first place to 100,000*l.* (or 200,000*l.*) is that we could not agree to the formation of a working company with a larger capital until the fields had been satisfactorily proved.

The reason for the stipulation as to a public issue in (2) is to prevent the possibility of our group being "squeezed out" (as was done in another case in which we were interested in a similar exploitation syndicate with one of the parties concerned) at a time when any of the members might desire to form a working company, should it not be convenient at that time for us to provide 50 per cent. of the capital required.

If you think it may be practicable to conclude an arrangement on the above lines, Sir Hugh and I will be glad to meet you again to discuss any further details regarding which you may desire explanations.

I may mention that Herr Stauss said that he had not heard of the 50 per cent. proposal, coupled with certain marketing arrangements, put forward in my letter of the 12th June last. I hardly think this likely, but I mention the point as, if this proposal has not been put before him, it may afford another possible solution of the difficulty.

Yours sincerely,
C. GREENWAY.

P.S.—Might it not help to strengthen the position *vis-à-vis* the foreign groups if the British Government were to take 25 per cent. of the 50 per cent. to be allocated to the British group? Herr Stauss rather suggested that the Deutsche Bank's 25 per cent. was being taken wholly or in part on behalf of the German Government.

C. G.

Enclosure 4 in No. 269.

Herr Stauss to Mr. Greenway.

December 5, 1913.

Dear Mr. Greenway,

I HAVE fully considered the situation of our interests in the Turkish oil-fields again in the light of your remarks, but I am very sorry I do not see any other way for a sincere active co-operation with your group in this business unless you accept an arrangement which will limit your participation to 50 per cent. and give the German interests an opportunity of utilising their experience in all questions concerned.

As explained orally, you will always find us at your side to achieve a reasonable development of the oil territories in question, and to dispose of the products on reasonable terms.

I would be glad if your interests could see your way to coincide with our views, and remain

Yours very truly,
E. G. STAUSS.

Enclosure 5 in No. 269.

Mr. Barnes to Mr. Greenway.

Board of Trade, December 10, 1913.

Dear Mr. Greenway,

I HAVE to acknowledge receipt of your letter of the 9th December on the subject of the Mesopotamian oil concession.

As you have been informed this afternoon by telephone, Herr Stauss has suggested that a further meeting between him and yourself, at which representatives of the Board of Trade could be present, might be advantageous. He has, however, been informed that it is, in our opinion, advisable that any discussions which you may have should continue, at least for the present, to be of an unofficial character.

We are disposed to think that a further discussion between Herr Stauss and yourself might be useful, and that, in particular, it might be well if the question of the chairmanship could be reconsidered, as I note that there seems to be some divergence between your interpretation of Herr Stauss's statement on this matter and our understanding of it.

As we understand that the further discussion which has been suggested is agreeable to you, we propose to defer consideration of your letter until we know whether you desire to modify it in any way in consequence of such discussion.

Yours very truly,
G. S. BARNES.

Enclosure 6 in No. 269.

Mr. Ashley to Herr Stauss.

Board of Trade, December 10, 1913.

Dear Herr Stauss,

WITH reference to our telephonic conversation of this morning, Sir Hubert Llewellyn Smith desires me to express his appreciation of your willingness to have a further discussion with Mr. Greenway, which he thinks might be advantageous, but to say that it would, in his opinion, be preferable for such discussion to be of the same informal character as the previous one, and for the Board of Trade not to participate at the present stage.

I have ascertained that Mr. Greenway would be glad of the opportunity for a further discussion (which might take place to-morrow), and perhaps you could communicate with him by telephone to arrange a time.

So soon as possible after we have learned the outcome of any discussion which may take place between you, and are in possession of the definite views of Mr. Greenway's group, a further communication will be addressed to you. In the meantime,

Sir H. Llewellyn Smith desires me to enquire if your letter to him of the 6th December is intended to mean that you regard the suggestion for a small neutral group as wholly unacceptable, or only as undesirable if an agreement can be reached in any other way.

Yours very truly,
PERCY ASHLEY.

Enclosure 7 in No. 269.

Herr Stauss to Mr. Ashley.

Savoy Hotel, London, December 10, 1913.

Dear Mr. Ashley,

THANKS very much for your to-day's letter. I have written to Mr. Greenway asking him whether I can meet him to-morrow, when I shall let you know the outcome of an eventual discussion.

In reply to your question about Sir H. Llewellyn Smith's suggestion, I beg to say that I would rather prefer not to put it forward as I do not think we can accept it.

Believe me, &c.
STAUSS.

Enclosure 8 in No. 269.

Minute by Mr. Ashley.

IN accordance with Sir H. Llewellyn Smith's instructions I communicated to Mr. Greenway on Wednesday afternoon Herr Stauss's suggestion for a further discussion. Mr. Greenway agreed to the suggestion, and a long conference between Mr. Greenway, Sir Hugh Barnes, and Herr Stauss took place yesterday morning.

Subsequently Sir Hugh Barnes telephoned to me to say that in the course of the discussion, which I understand was a very amicable one, Mr. Greenway had put forward the four conditions, which, as indicated in his letter to Mr. Barnes of the 9th December, his group regards as essential if they are to enter into combination on a 50 per cent. basis. Those conditions were:—

1. That a syndicate to prospect and test the Mesopotamian fields be formed with a capital of 100,000*l.* (or, if necessary, 200,000*l.*), 50 per cent. of the capital of which would be taken by our group, and 50 per cent. by the Turkish Petroleum Company.

2. That the members of this syndicate shall undertake to form a working company with a capital of not less than 1,000,000*l.* should they be satisfied with the examination of the fields—the capital of such company, if so desired by any member, to be raised by a public issue of debentures and/or shares.

3. That the chairman of such syndicate and/or company shall always be nominated by us, and shall have a casting vote, the other members of the board being nominated half by us and half by the foreign group.

4. That the firm of Strick Scott and Co. (Limited), of Bagdad, shall be appointed the permanent managing agents of the syndicate and/or company in Turkey.

According to Sir Hugh Barnes, Herr Stauss had no objection whatever to conditions 1 and 2.

With regard to condition 4 he appeared to have no strong objection, though he saw no reason for making any arrangement at this stage as to the "managing agents."

Condition 3—as to the chairmanship—was the crux of the problem. Mr. Greenway appears to have reiterated his assertion that, unless the Deutsche Bank group would guarantee that they would always support the nominee of the Anglo-Persian group as to the chairmanship, the Anglo-Persian group could not enter into the proposed combination. Herr Stauss, on the other hand, appears to have maintained that the offer made by him in his communications with the Board of Trade, and which admittedly Mr. Greenway had not entirely understood, would be sufficient security for the Anglo-Persian interests. Mr. Greenway and Sir Hugh Barnes understood, however, that Herr Stauss would give some further consideration to the question, and the matter was left at that point.

In the course of the conversation Herr Stauss made it clear that the Deutsche Bank would have no objection to the Anglo-Persian group being substituted for the National Bank group in the Turkish Petroleum Company. Mr. Greenway said that he thought the Board of Trade had some objection to this course, but I have told Sir Hugh Barnes that I did not think we had any objection to it, and that we had suggested the other course, viz., the formation by the Turkish Petroleum Company and the Anglo-Persian group of a separate company for Mesopotamia, because we thought that this would be the simplest arrangement and most acceptable to the interests concerned in the Turkish Petroleum Company.

Sir Hugh Barnes and Mr. Greenway appeared to have left the conference with Herr Stauss with some hopes that the latter might meet their wishes.

Late in the afternoon Herr Stauss came to see me, as he wished to make his position quite clear before he left London for Berlin early this morning.

He said that he would be quite ready to admit the Anglo-Persian group to the position now occupied by the National Bank in the Turkish Petroleum Company, and that that would be the best solution from every point of view.

If the Turkish Petroleum Company were reconstituted so as to include only the Deutsche Bank and the Anglo-Saxon Company there would be two disadvantages from the point of view of the Anglo-Persian Company. The first would be that the Turkish Petroleum Company might acquire other oil areas in Turkey from which the Anglo-Persian Company's interests might conceivably be threatened, and, secondly, if the Deutsche Bank and the Anglo-Saxon Company were partners by themselves in other oil business in Turkey there would be a much stronger tendency than would otherwise exist for them to act together in respect of the Mesopotamian field. He would be prepared to do his utmost to facilitate the substitution of the Anglo-Persian group for the National Bank, and said that it was a matter of indifference whether the National Bank shares were bought by the Deutsche Bank and the Anglo-Saxon Company and then handed over to the Anglo-Persian group or refused by the two first-named groups and transferred direct from the National Bank to the Anglo-Persian group.

He referred to the position of M. Gulbenkian, and said that M. Deterding had told him that afternoon that M. Gulbenkian had entrusted M. Deterding with the charge of his interests ("put his fate in my hands" were M. Deterding's words).

Herr Stauss asked M. Deterding what he meant to do in the matter. M. Deterding did not seem to know, but said that he was not going to let down M. Gulbenkian. M. Deterding also said that his group (the Shell) had employed M. Gulbenkian some years ago to endeavour to get them oil concessions at Constantinople, but that M. Gulbenkian had come to the conclusion that co-operation with the Deutsche Bank would be better than competition.

It is, I think, from this, and what we have been told by Sir Henry Babington Smith, fairly clear that M. Gulbenkian actually engineered the formation of the Turkish Petroleum Company.

Herr Stauss's view is that the arrangements made by the National Bank with M. Gulbenkian as to shares are very probably quite illegal, but that, in any case, it is the business of the National Bank to settle with M. Gulbenkian, and to compensate him out of the quite small amount which they will receive as the price of their shares; it is not the business of anybody else.

Herr Stauss then said that, with regard to Mr. Greenway's four conditions, he had no objection to the financial proposals; it was quite possible that M. Deterding would object, but he could be voted down when the preliminary company had been formed, and he (Herr Stauss) was inclined to think that, with a view to obviating difficulties at this stage, it would be well for Mr. Greenway not to press condition No. 2, as to the offering of shares for public subscription. The Deutsche Bank, however, would support the views of the Anglo-Persian group when the matter came up for a decision.

With regard to the question of management, he thought it undesirable for the company to be committed to any particular firm of "managing agents" at the present stage.

As regards the very important question of the chairmanship, he could only repeat what he had already said. I said that we had always understood his position to be that the Deutsche Bank would support the election of chairman, for the first year, from the Anglo-Persian group. They thought that the chairmanship would normally go, as a matter of course, to a nominee of that group who would represent the largest interest, and would be prepared to support such a nominee so long as the business of the company was conducted in a satisfactory manner. Herr Stauss said that that exactly represented

what he had said and the intent of the Deutsche Bank. He did not think they could go further.

He then mentioned that he understood that Lord Strathcona was the chairman of the Anglo-Persian Company, and said that it was obvious that, if he were the candidate put forward by the Anglo-Persian group for the chairmanship of the new company, it would be impossible for the other interests to object to the appointment of a person of such standing. I pointed out that Lord Strathcona is a very old man, and is probably now not more than a figurehead, but I am inclined to think that this remark of Herr Stauss may contain the germ of a useful suggestion. If the Anglo-Persian group could put forward as chairman a person of real importance and standing, it might very greatly strengthen their position.

I think it is absolutely clear that Herr Stauss feels that his group cannot go any further.

He referred to the questions which have been raised in the German Reichstag, and said that he knew perfectly well whence they came; they were inspired by certain other groups in Germany who were antagonistic to the Deutsche Bank. Now that public attention had been, unfortunately as he thought, directed to the matter in Germany, it would be difficult enough to defend the proposed arrangement, under which it would appear that Germany had only a quarter interest in the Mesopotamian field. To appear to reduce that interest still further, either by conceding some portion of their 25 per cent. to the Anglo-Persian group, or by formally agreeing to a permanent non-German chairmanship, would, in his view, now be politically almost impossible.

I promised that I would bring all that he had said under Sir H. Llewellyn Smith's notice.

Herr Stauss then asked whether, in the event of the Anglo-Persian group not coming into the arrangement, we could put forward another group. I said that I could, of course, not commit the Board of Trade or His Majesty's Government in any way on that point, but I thought it was at least possible that we should be in a position to do so. He said that if we could it would be very satisfactory to the interests which he represented.

I gathered that Herr Stauss did not propose to communicate again with Mr. Greenway; that he had really nothing further to offer, but he was about to write to Sir Henry Babington Smith to urge that the Anglo-Persian group, or any group nominated by His Majesty's Government, should be substituted for the National Bank in the Turkish Petroleum Company.

I should add that, according to Herr Stauss, M. Deterding has mentioned the matter to Mr. Greenway, and said that he thought it was quite likely that the Anglo-Saxon and the Anglo-Persian might from time to time find themselves in combination against the Deutsche Bank, as they are both concerned largely in Western markets. Herr Stauss is of opinion that M. Deterding is not now likely to raise any serious difficulty to a settlement on the lines which are under consideration.

P. A.

December 12, 1913.

[57614] No. 270.

Board of Trade to Foreign Office.—(*Received December* 22.)

Sir, *Board of Trade, December* 20, 1913.

WITH reference to your letter of the 17th December on the subject of the exploitation of petroleum deposits in Asiatic Turkey, I am directed by the Board of Trade to state that they concur in the tenour of the reply which Sir E. Grey proposes to address to Lord Cowdray.

I am, &c.
GEO. J. STANLEY.

[56096] No. 271.

Sir Edward Grey to Sir L. Mallet.

(No. 459.)

Sir, *Foreign Office, December* 22, 1913.

I TRANSMIT to your Excellency herewith a copy of a letter from the president of the Smyrna-Aidin Railway Company to Mr. Parker,* of this Office, relative to the resumption of legal proceedings against the company in the law courts of Smyrna arising from the action brought against them by Saadi Bey, with the details of which you are already familiar from previous correspondence ending with my despatch No. 445 of the 12th instant.

A copy of Lord Rathmore's letter has already been handed to Hakki Pasha, but I should be glad if your Excellency will approach the Ottoman Government with regard to this question, which is not directly connected with the negotiations now in progress in London, and would formally support the claim of the Smyrna-Aidin Railway Company for equitable treatment.

I am, &c.
E. GREY.

[57105] No. 272.

Foreign Office to Treasury.

Sir, *Foreign Office, December* 22, 1913.

WITH reference to Sir G. Murray's letter of the 7th May, 1909, relative to a loan to the Sheikh of Koweit, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a letter from the India Office relative to the Sheikh's desires on the subject.†

I am to state that Sir E. Grey shares the opinion of the Marquess of Crewe as to the undesirability of affording to the Sheikh any inducement to look to any other Power for pecuniary assistance, and desires to support his Lordship's request that the Lords Commissioners will assent to the proposed advance of two lakhs of rupees on the terms indicated in the letter above referred to.

I am to add that Sir E. Grey would be glad to receive a reply to the present communication at their Lordships' earliest convenience.

I am, &c.
EYRE A. CROWE.

[57913] No. 273.

Anglo-Persian Oil Company to Foreign Office.—(Received December 24.)

Winchester House, Old Broad Street, London, December 23, 1913.

Sir,

WITH reference to the negotiations now proceeding in connection with the Mesopotamian oil concession, I beg for your information to enclose copy of a private report of recent proceedings between the Permanent Under-Secretary of the Turkish Government and the director and secretary of the Mining Department, together with a list of all "permis de recherche" which have so far been issued for petroleum in Turkey in Asia.

I have, &c.
C. GREENWAY,
Managing Director.

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* No. 224. † No. 266.

Enclosure 1 in No. 273.

Private Report from the Ministry of Commerce, Mines, &c.

THE Permanent Under-Secretary, Sassoon Effendi, summoned the chief engineer, director, and secretary of the Mining Department and informed them that, all oil rights in Mosul, Bagdad, and Syria having been given to Great Britain, he required a list of all "permis de recherche" that had been issued.

Kenan Bey, the chief engineer, enquired how it came about that these rights were being given away wholesale without putting them up to auction. Sassoon Effendi replied that circumstances required this procedure, and begged to be excused from explaining the reasons.

A copy of the list supplied as requested by Sassoon Effendi is annexed hereto.

Stamboul, December 17, 1913.

Enclosure 2 in No. 273.

LIST of "Permis de Recherche" issued by the Ottoman Government and presumably still in force.

No.	Name.	District.	Issued.	For.
1	Yovan Altinoghlou ..	Castamouni ..	September 15, 1909 ..	Petroleum.
2	Abdul Kader and Co. ..	Syria	November 2, 1910 ..	,,
3	,, ,, ..	,, ..	,, 2, 1910 ..	,,
4	,, ,, ..	,, ...	,, 2, 1910 ..	,,
5	,, ,, ..	,, ...	,, 2, 1910 ..	,,
6	,, ,, ..	,, ...	,, 2, 1910 ..	,,
7	Ismail Hakki and Co. ..	Kurnk, Syria ..	July 10, 1913 ..	Sulphur, Bitu.
8	,, ,, ..	,, ,, ..	,, 10, 1913 ..	Pet. Asph. Bitumen.
9	,, ,, ..	,, ,, ..	,, 10, 1913 ..	,, ,,
10	,, ,, ..	,, ,, ..	,, 10, 1913 ..	,, ,,
11	,, ,, ..	,, ,, ..	,, 10, 1913 ..	,, ,,
12	,, ,, ..	,, ,, ..	,, 10, 1913 ..	,, ,,
13	,, ,, ..	,, ,, ..	,, 10, 1913 ..	Pet. Bit. Coal.
14	,, ,, ..	,, ,, ..	,, 10, 1913 ..	Pet. Bit. Sulphur.
15	Ghatin Zade Feyzi Pacha ..	Damascus	August 5, 1913 ..	Petroleum.
16	,, ,, ..	,, ...	,, 6, 1913 ..	,,
17	,, ,, ..	,, ...	,, 6, 1913 ..	,,
18	,, ,, ..	Kurnk, Syria ..	,, 7, 1913 ..	Pet. Bit. Asph.
19	Selim-bin-Halil	Jerusalem	May 16, 1911 ..	Pet. Bit. Sulphur.
20	,, ,, ...	,, ...	,, 16, 1911 ..	,, ,,
21–22	,, ,, ...	,, ...	,, 16, 1911 ..	,, ,,
23	,, ,, ...	,, ...	,, 16, 1911 ..	Pet. Bitumen.
24	,, ,, ...	,, ...	,, 16, 1911 ..	Pet. Bit. Asph.
25	,, ,, ...	,, ...	,, 16, 1911 ..	Bit. Sulphur.
26	Baghib and Nazim	Krkouk Mosul ..	June 29, 1911 ..	Pet. Naphtha, &c.
27	,, ,, ...	,, ,, ..	,, 29, 1911 ..	,, ,,
28	,, ,, ...	,, ,, ..	,, 29, 1911 ..	,, ,,
29	Fuad Pasha	Van, Besh Parmak ..	January 2, 1909 ..	Pet. Firman.
30	Youssef Amini	Farsan	February 12, 1907 ..	Petroleum.
31	Mehmet Fahri and Co. ..	Bitlis	No date ..	,,
32	Edwin Whittall	Lattakia	,, ...	,,
33	,, ,, ...	Heyon, Syria ..	May 5, 1913 ..	,,
34	,, ,, ...	Lattakia	No date	,,

List ends.

NOTES.—Nos. 26, 27, 28. These are the only items in which the mineral is stated with the expression "&c." It is worth noting that an application has gone in for the firman for these three claims, and that nothing stands in the way of its being granted.

No. 29. The firman for this has been granted, and presumably is still in force.

Nos. 31, 32, 33, 34. There is a note in the list against these numbers to the effect that petroleum has not been discovered.

Stamboul, December 17, 1913.

[57924] No. 274.

Anglo-Persian Oil Company to Foreign Office.—(Received December 24.)

Winchester House, Old Broad Street, London, December 23, 1913.

Sir,

WE beg to hand you below copy of a telegram which we have received from our agents in Bagdad—Messrs. Strick, Scott, and Co (Limited):—

"It is rumoured that American and Russian companies are endeavouring to secure monopoly of sale of oil in Turkey. British consul has telegraphed British Embassy asking them to make enquiries. Have you any information?"

In conversation recently with Herr Stauss, the representative of the Deutsche Bank, he mentioned that his bank was endeavouring to obtain this monopoly as one of the conditions in connection with the general settlement between the Powers, but that any such monopoly would, he presumed, provide that the monopoly should not prejudice in any way the rights of sale of oil by present or future concessionnaires of oil lands in Turkish territory.

In this connection my board desire me to enquire whether this point is being considered in connection with the negotiations now going on in respect of the Mesopotamian oil concession, and also what would be the position of the Anglo-Persian Oil Company in regard to sales of oil in Turkish territory should such a monopoly be granted.

At present the Anglo-Persian Oil Company (Limited) are selling a considerable quantity of oil in Turkish territory, and it would be extremely prejudicial to them were the Turkish markets to be closed to their products.

I have, &c.
C. GREENWAY, *Managing Director.*

[57910] No. 275.

Messrs. Waltons and Co. to Foreign Office.—(Received December 24.)

Leadenhall House, 101, Leadenhall Street, London, December 23, 1913.

Sir,

TIGRIS and Euphrates navigation concession.

We are instructed by Lord Inchcape to forward you the enclosed letter dealing with the German participation in the Ottoman company which he is to form relative to the above matter.

IF you are having this undertaking printed, perhaps you will be good enough to let us have ten or fifteen prints in order that they may be bound with the other undertakings given.

We are, &c.
WALTONS AND Co.

Enclosure in No. 275.

Lord Inchcape to Foreign Office.

9, *Throgmorton Avenue, London, December 18, 1913.*

Sir,

TIGRIS and Euphrates navigation.

With reference to the concession granted to me under date of the 12th December, 1913, by his Highness Hakki Pasha on behalf of the Imperial Ottoman Government, I beg to confirm the assurance which I have already given to Mr. Alwyn Parker, C.M.G., viz., that, if so requested by His Britannic Majesty's Government, I will, by a separate contract with the Imperial Ottoman Government, agree (*a*) to the Imperial Ottoman Government nominating a representative of the Bagdad Railway interests as one of the Ottoman directors of the company which I am to form to work the concession; (*b*) to the acquisition by the Bagdad Railway interests of up to, but not exceeding, 40 per cent. of the share capital of the said company to be allotted to

Ottoman subjects at the first allotment, and the right in respect thereof to subscribe for a rateable proportion of any further issues of capital of the said company after the first allotment of shares.

In giving the above assurance I am, of course, assuming that the Imperial Ottoman Government will approve any provisions which it may be found necessary to insert in the statutes of the company in connection with the above-mentioned arrangement.

I am, &c.
INCHCAPE.

[57977] No. 276.

Sir W. Townley to Sir Edward Grey.—(Received December 26.)

(No. 421.)
(Telegraphic.) *Tehran, December 26, 1913.*

MINISTER for Foreign Affairs called on me yesterday and said he had laid contents of your telegram No. 481 of 19th December before the Cabinet, which is most unwilling to agree to the proposals respecting the payment of the shipping dues and the River Commission unless Persia's river rights on the Shatt-el-Arab are recognised *pro formâ*.

His Excellency represented that the Cabinet only agreed to accept the frontier settlement reached at Constantinople on condition that Persia's sovereignty and navigation rights on the Shatt-el-Arab should be reserved. That this was not done by the Persian Ambassador at Constantinople was due to the bad wording of the telegraphic instructions sent to him; now recognition of river rights only is asked for, which, as his Excellency pointed out, becomes a mere formality, when Persia is prepared formally to accept Turkish river commission with all the control it entails and to pay dues to be levied on Persian shipping. He urged that this concession to the *amour-propre* of a State having frontier on the river bank was not an exaggerated demand.

Cabinet has been very seriously attacked in the press here for having accepted frontier arrangement which is largely responsible for the present dissnion in the Cabinet, two or three of whose members were strongly opposed to the acceptance, partly because Persia's consent had been taken for granted, and partly because they refused to see obvious advantages Persia derives from the arrangements.

Malcontents only signed when they knew that Russian Chargé d'Affaires and I were in the next room insisting on immediate acceptance.

[58250] No. 277.

Sir R. Rodd to Sir Edward Grey.—(Received December 27.)

(No. 233.)
(Telegraphic.) *Rome, December 27, 1913.*

THE Turkish Ambassador has just informed me of the substance of a long conversation with the Italian Minister for Foreign Affairs yesterday.

He found him much embarrassed, and believes that he would now be disposed to settle the question of evacuation rapidly, if he could save his face with Italian opinion. This the Ambassador attributes to your proposals having taken Italy by surprise and encourages him to believe that the allies of Italy are urging their general acceptance. The Minister explained to him that there are elements in the Italian Chamber which it is difficult to satisfy, and that the question of compensation for the prolongation of occupation was being pressed. The cost, he alleged, including the retention of extra troops with the colours, amounted to 3,000*l.* a day, which seems to be exaggerated. He did not anticipate that Turkey could pay indemnity, but urged the facilitation of evacuation by giving Italy something to show on the credit side, thus bringing the issue round again to concessions.

The Ambassador told me that Turkey was now anxious to recover the islands, and he thought it to their advantage to settle at the cost of such a small blackmail which might fairly be given to a friendly nation. He therefore asked precisely what he was to be asked to recommend. The Minister for Foreign Affairs said that the question of a railway line from Adalia was to be settled with the British Aidin Company; what

he wanted from Turkey was a concession for harbour works there. The Ambassador, who had anticipated much larger demands and does not believe in the future of Adalia, said that he had recommended this as a solution if there was no obstacle to the concession, believing that it would also be our interest to accelerate the evacuation, and feeling that, if such a compromise could be arranged, Italy would have far less chance of intriguing in a region where British interests were already established. He had gathered, but was not positive, that the Austrian demand, which had been for a small 25-kilom. line, had been dropped at the instance of Italy.

(Secret.)

His observations on Italian methods gave me an opportunity to ask whether he had any reason to believe that Italy had given Turkey encouragement to endeavour to recover any other islands from the Greeks. He said that he could positively affirm that there had been such encouragement. This was apparent six weeks ago.

[58080] No. 278.

Sir R. Rodd to Sir Edward Grey.—(Received December 29.)

(No. 348.)

Sir, *Rome, December* 14, 1913.

I HAVE the honour to report that the Turkish Ambassador came to see me yesterday and began at once to discuss the intentions of Italy in Southern Asia Minor. He had, he said, represented to the Minister for Foreign Affairs that the Ottoman Government were entirely opposed to any idea of a special sphere of interest being reserved to any country. Italy, if she desired to obtain concessions, must come forward with some definite and concrete proposal which would then be considered on its merits. He confirmed what the Italian Minister for Foreign Affairs has told me, viz., that Italy, or rather an Italian syndicate, has been authorised to make studies in that region for a specific number of years—four I gathered—but beyond that no material concession had been granted.

While the Minister for Foreign Affairs had accepted the view that spheres of interest were to be deprecated, Naby Bey said that he was nevertheless anxious, as there were symptoms that the Italian Government contemplated adopting a similar line of conduct in Adalia to that which they had followed in Tripoli, by despatching pioneers of "peaceful penetration," who would provide occasion for grievances and local disputes which would serve as capital for bringing pressure to bear on Turkey.

As an instance of this, he told me that he had just been invited to call at the Ministry for Foreign Affairs, where he was told that they had learned with great surprise that the Governor of Adalia had placed four gendarmes to watch the premises where the Italians had just established some Franciscan monks, apparently with a view to preventing the local population from having contact with them. He was informed that if these gendarmes were not at once removed it would lead to a disagreeable incident. Naby Bey asked whether they had received authorisation from Constantinople to open a school. The answer was that the authorisation had not yet been received, but that it was being asked for, and that the monks must be allowed perfect freedom to keep in touch with the inhabitants pending the regularisation of their position. He promised to telegraph to Constantinople asking that the guards should be removed. At the same time the Secretary-General complained that difficulties were being encountered by Italian archæologists who were making investigations in the neighbourhood. All this, he said, was, after the experience of Tripoli, calculated to arouse suspicion.

He also told me, as I have reported by telegraph, that the Austro-Hungarian Government had made application for commercial concessions in the same neighbourhood; he believed the construction of a railway line somewhere west of Adalia was what they contemplated. He had mentioned the matter to the Minister for Foreign Affairs, who admitted the accuracy of the report, and did not seem to appreciate it.

I have, &c.

RENNELL RODD.

[58134] No. 279.

Sir L. Mallet to Sir Edward Grey.—(Received December 29.)

(No. 1023.)

Sir, *Constantinople, December* 21, 1913.

WITH reference to despatch No. 218 of the 17th March last from this Embassy, I have the honour to report that the Ottoman Government has abolished the "red passport" which non-Ottoman Jews were obliged to take out on arrival in Palestine, and which entitled them to stay there only three months. The Zionists have thus obtained the object for which they have long been striving, viz., the unrestricted immigration of Jews into Palestine, and it is to be expected that a large influx of Jews into that region will soon begin.

As Zionism also means the Jewish national revival, great attention has lately been paid to the teaching and spread of the use of Hebrew as the national tongue. It is taught, with German, in some fifty new schools established of late years in Palestine by the Hilfverein, or German Jewish Zionist organisation, and there is considerable agitation in the Jewish world here against the use of German instead of Hebrew as the medium of instruction in the Jewish polytechnic school recently founded at Haifa.

The Italians have recently recognised Hebrew as an official language in Tripoli, in Barbary, and the Zionists aspire to have Hebrew similarly recognised by the Ottoman authorities as soon as Jews form the majority of the inhabitants in Jerusalem and Palestine. The Committee of Union and Progress have agreed in principle that the local authorities should be acquainted with the language of the majority of the local population in different parts of the Ottoman Empire, so that it may one day be possible to have a Jewish Governor of Jerusalem.

I have, &c.

LOUIS MALLET.

[58388] No. 280.

Memorandum communicated by Herr von Kühlmann, December 29, 1913.

(Translation.)

THE amendments suggested by the British Government in the proposed agreements between the Bagdad Railway Company and the Turkish Government have been carefully examined. The amendments in articles 1 to 7 are not indeed in all respects free from objection, but it may be taken for granted that regard will be had to the wishes expressed so far as this is compatible with the safeguarding of German interests. On the other hand, the parties interested declare that they cannot agree to the wording proposed for article 8.

They point out that the establishment of efficient connection between the more important railway stations and the opposite shores of the Euphrates and Tigris is a matter of life and death for the Bagdad Railway. The latter, as is well known, follows the right bank of the Tigris, which has no proper hinterland. The principal traffic will come from the left bank of the Tigris. The construction of bridges is a costly undertaking in view of the breadth of the rivers concerned. How far it is possible to establish efficient communication from one bank to the other without motor power it is impossible at present to say. If an understanding has first to be come to with Lord Inchcape's company before connection operated by motor power can be established between the two banks, this amounts to nothing less than the handing over the traffic interests of the railway, so far as the latter follows the course of the rivers, to the monopolistic company, the interests of which, as competitor of the Bagdad Railway, lies not in facilitating the access of goods and passengers to the stations of the railway, but in rendering it more difficult.

The Bagdad Railway must therefore continue to insist on establishing for itself, with the employment of motor power so far as this is necessary, a connection between the two banks at the most important points at any rate. This connection must place the railway company in a position to transport across the river both persons and goods coming to the railway from the further shore, or arriving by railway and requiring to be conveyed to the further shore. This right is safeguarded by the German wording of the first paragraph of article 8, but on the contrary it is withheld by the English wording of paragraphs 1 and 2 of article 8.

The principal points at which the Bagdad Railway requires to have the right to establish its own service from shore to shore, with the employment of motor power, are Bagdad, Samarra, and Mosul.

As regards the remaning stations at which the need of connection by motor power might make itself felt, the Deutsche Bank are in principle prepared to come to an arrangement with the river navigation company for the establishment of the necessary service in the manner proposed in the concluding paragraph of the English text of article 8. The English proposal seems, however, to be incomplete, inasmuch as it does not say what is to happen when such an arrangement between the railway company and the river navigation company fails, owing to the latter making conditions which, on a reasonable estimate of the requirements of the needs of the Bagdad Railway, are not acceptable to the railway company. Provision should at least be made for submitting to an impartial decision the question of the conditions for the establishment of such a connection in cases where differences of opinion arise. In the event of Lord Inchcape's company not wishing to establish such a connection on these conditions, the Bagdad Company would have to be allowed the right to establish the connection itself. In view of these difficulties, the most natural solution would be for Lord Inchcape to content himself with the far-reaching monopoly of navigation up and down stream, which was intended to be the object of his concession, and not to claim for himself also the traffic from shore to shore.

The concluding paragraph of article 8 in the English text could be interpreted to mean that the Bagdad Railway Company renounces in favour of Lord Inchcape's river navigation company the establishment of any connection from shore to shore whether with or without motor power. An unequivocal statement is also needed to the effect that the Bagdad Railway Company preserves the right to obtain authorisation from the Turkish Government to set up cable ferries, &c., everywhere where it appears to the company that this would be advantageous.

It would facilitate the examination of the question if the arrangements (draft concessions and statutes) which Lord Inchcape has concluded with the Turkish Government with respect to navigation on the Tigris could be communicated confidentially to the German Government so that the latter may be enabled, if necessary, to define their attitude towards them.

[56346] No. 281.

Sir Edward Grey to Sir G. Buchanan.

(No. 432.)

Foreign Office, December 29, 1913.

Sir,

I HAVE received Mr. O'Beirne's despatch No. 381 of the 11th instant, forwarding drafts of the communications which it is proposed that His Majesty's Embassy should exchange with the Russian Ministry of Foreign Affairs on the subject of the rights of police and jurisdiction of the Shatt-el-Arab Navigation Commission, and I transmit to your Excellency herewith copies of correspondence with His Majesty's Ambassador at Constantinople and of a note to Hakki Pasha on the subject.*

The text of both the declarations drawn up by Mr. O'Beirne in consultation with the Russian Ministry of Foreign Affairs has the approval of His Majesty's Government, but, in view of the last paragraph of the despatch under reference, I propose that their exchange should be deferred pending the definite settlement of the wording of article 6 of the Anglo-German Convention, in connection with which I would refer your Excellency to the memorandum communicated on the 15th instant to the German Embassy here.

The above information is given to your Excellency for your personal and confidential guidance.

I am, &c.

E. GREY.

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* Nos. 257, 282 and 283.

[56299] No. 282.

Sir Edward Grey to Sir L. Mallet.

(No. 467.)

Sir,

Foreign Office, December 29, 1913.

I HAVE received your Excellency's telegram No. 619 of the 13th instant, relative to the objections which Hakki Pasha anticipates that the Turkish Government will raise to the procedure laid down in article 2 of the proposed British declaration to Russia on the subject of the rights of police and jurisdiction to be exercised by the Shatt-el-Arab Navigation Commission.

The question has been further discussed with Hakki Pasha, who argued that the second article of the proposed declaration to be made by His Majesty's Government to Russia was an interpretation, in a sense contested by Turkey, of a matter in dispute. Russia claimed the privileges in question, and Turkey did not concede them "in principle." Why could not Russia, he asked, be satisfied with a "general" declaration, such as the Anglo-Turkish one of the 21st October, 1913, to the effect that articles 7 and 8 of the Anglo-Turkish Convention of the 29th July, 1913, did not affect the treaty rights of foreign Powers.

His Highness was told, in reply, firstly, that Russia would not be satisfied with such a wording, because articles 7 and 8 of the Anglo-Turkish Convention were, in her view, too specific to be neutralised by a declaration in general wording such as that of the 21st October, and it was quite clear that Russia would not pay the dues unless she were satisfied by some declaration such as is proposed in the article to which his Highness took exception.

Secondly, that His Majesty's Government entirely agreed with the Russian Government in thinking that Turkey would have no right to object to the procedure laid down in that article, and, such being the case, and there being no other means of securing payment of the dues by Russian ships, there could be no objection to the proposed exchange of notes between the British and Russian Governments.

I transmit to your Excellency herewith a copy of a correspondence with His Majesty's Embassy at St. Petersburgh, and of a note to Hakki Pasha on the subject.*

I am, &c.

E. GREY.

[56299] No. 283.

Sir Edward Grey to Hakki Pasha.

SIR E. GREY presents his compliments to Hakki Pasha, and has the honour to inform his Highness that His Majesty's Government propose to exchange notes with the Russian Government on the subject of the rights of police and jurisdiction to be exercised by the Shatt-el-Arab Navigation Commission.

Sir Edward Grey is convinced that the Russian Government would not be satisfied with a general declaration, such as the Anglo-Turkish one of the 21st October, 1913, to the effect that articles 7 and 8 of the Anglo-Turkish Convention of the 29th July, 1913, does not affect the treaty rights of foreign Powers.

In the view of the Russian Government, articles 7 and 8 of the Anglo-Turkish Convention are too specific to be neutralised by a declaration in general wording such as that of the 21st October, and it is clear to Sir E. Grey that Russia would not pay the dues unless she were satisfied by some declaration such as is proposed in the article to which his Highness took exception.

His Majesty's Government, moreover, entirely agree with the Russian Government in thinking that Turkey would have no right to object to the procedure laid down in that article, and, such being the case, and there being no other means of securing payment of the dues by Russian ships, there can be no objection to the proposed exchange of notes between the British and Russian Governments.

Foreign Office, December 29, 1913.

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* Nos. 259, 281 and 283.

[57614] No. 284.

Foreign Office to Lord Cowdray.

(Confidential.) *Foreign Office, December* 29, 1913.

My Lord,

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your Lordship's letter of the 10th instant asking that the co-operation of your firm may be enlisted in the event of the acquisition in favour of British subjects of concessions for the working of petroleum deposits in Syria, Mesopotamia, and Arabia.

In reply I am to state, for your Lordship's confidential information, that His Majesty's Government have for over five years been committed to support the Anglo-Persian Oil Company with regard to the exploitation of oil in the provinces of Mosul and Bagdad, and that with regard to that in Syria and parts of Arabia they have undertaken to support British subjects in respect of certain localities for which they already hold prospecting licences and have already incurred financial outlay. Your Lordship's letter will, however, be borne in mind, and a copy of it has already been sent to the Board of Trade.

I am, &c.
EYRE A. CROWE.

[58576] No. 285.

India Office to Foreign Office.—(Received December 30.)

India Office, December 29, 1913.

Sir,

IN reply to your letter of the 18th instant regarding the ratification of the protocols of the Aden Delimitation Commission, I am directed by the Secretary of State for India to say that he concurs in the suggestion reported by His Majesty's Ambassador, Constantinople, that the occasion should be taken to induce the Ottoman Government to instruct the Yemen authorities not to claim the inhabitants of Shehr and Mokalla as Ottoman subjects.

It is, however, for consideration whether the Porte should not at the same time be pressed formally to recognise that the whole of the south-eastern extremity of Arabia, outside a line drawn in continuation of the north-west frontier of the Aden protectorate to meet the blue line of the Anglo-Turkish Convention, lies beyond their sphere of influence, although for the reasons given in the Government of India's telegram of the 4th September it may be inadvisable to demarcate the frontier.

I am, &c.
T. W. HOLDERNESS.

[58627] No. 286.

Sir L. Mallet to Sir Edward Grey.—(Received December 30.)

(No. 644.) *Constantinople, December* 30, 1913.

(Telegraphic.)

ITALIAN Ambassador called this morning and spoke more or less in the sense of Rome telegram No. 233 of 27th December.

He is evidently experiencing difficulty about concession with Turks, about which please refer to my immediately preceding telegram, and I gather that he is anxious to come to terms with us.

He said that Nogara was starting for London to negotiate with the Smyrna–Aidin Company on 2nd January.

I hear that the Austrian Ambassador has renewed application for a railway from Adalia to Mersina.

[58642] No. 287.

Sir L. Mallet to Sir Edward Grey.—(Received December 31.)

(No. 1036.)

Sir, *Constantinople, December* 26, 1913.

REFERRING to my telegram No. 636 of the 22nd instant, I have the honour to state that an agreement in three parts was signed on the 18th instant between M. Bompard, who left a couple of days later for Paris, and Said Halim Pasha. The negotiations leading up to this agreement form part of the general negotiations between the French and Turkish Governments which have been proceeding for some time, and which have been conducted both in Paris and Constantinople. The agreements cover the greater part of the demands formulated in the French Embassy's note to the Porte of the 24th February last (see Sir G. Lowther's despatch No. 461 of the 24th May), but they have not yet received the Imperial sanction, and in any case their coming into force definitely is to depend on the satisfactory conclusion of the remainder of the general negotiations, including those for the admission of a Turkish loan to the Paris Bourse. The agreement already signed is so favourable to the French that nothing but urgent need of money could have induced the Turkish Government to sign it, and should any hitch occur in connection with the financial side of the negotiations I doubt very much whether the Porte will maintain its adhesion to it.

The first portion of the agreement refers to the recognition and privileges of religious and scholastic institutions. The substance of this has been communicated to me by the French Chargé d'Affaires. In view of its bearing on similar British institutions (see more particularly your despatch No. 339 of the 13th October last and my telegram No. 541 of the 3rd November), I enclose a special memorandum on the subject. Once the agreement becomes definitive, the Powers will be able to claim the privileges secured by it under most-favoured-nation treatment, so that its importance in connection with British institutions generally and with various pending cases (*e.g.*, that of the Hebron Hospital, dealt with in my despatch No. 1005 of the 15th instant and previous correspondence) can hardly be exaggerated.

The second portion of the agreement has reference to the incarceration of French citizens before and after trial for offences justiciable in the Turkish Courts. The question of the extent to which foreigners may be detained by the Turkish authorities has long been a subject of constant controversy between the foreign missions and the Porte, the latter maintaining the right of the territorial authority to imprison all persons accused of or convicted of offences, the latter contesting this alleged right in varying degrees. A more detailed account of the question will be found in my predecessor's despatch No. 504 of the 23rd July, 1910, reporting on the case of the German, Rusbert, arrested at Serres. Its practical importance has arisen from the fact that in cases when an accused foreigner is detained by the Turkish authorities the Porte has the whip hand of the mission concerned if there be any dispute as to the legality or justice of the proceedings; while, if the foreigner has not been arrested *in flagrante delicto*, he cannot be apprehended without the co-operation of his consular authority, so that in this case it is the mission which has the whip hand. In either case a diplomatic deadlock is the result. The arrangement now come to with the French is that the Porte agrees that all French citizens whose imprisonment pending trial is ordered by the competent judicial authority shall be detained in the French consular prison. On the other hand, condemned persons are to be imprisoned in the Turkish prison, but subject to the express proviso that the consular authority must be satisfied that the prison accommodation is of a suitable kind, and shall have access to the convict at all times, with the right of *tête-à-tête* conversation. This arrangement, if it becomes effective, will not indeed prevent deadlocks, but it will give the French Embassy, and consequently all the missions of countries enjoying most-favoured-nation treatment, the whip hand in all cases.

This part of the agreement is expressly extended to natives of Tunis and Morocco, and thus constitutes a recognition on the part of the Porte that such persons are entitled to the same national treatment as Algerians, who were already on the same footing as ordinary French citizens. The question of the status of Tunisians has been in dispute for some time.

The third part of the agreement provides that contentious pecuniary claims dating from before the constitutional régime shall be examined by an arbitral commission consisting of four members, two French and two Ottoman, with a view to a decision as

to whether they are well-founded, and, if so, as to the amount to be paid. In the event of an equal division of votes, recourse is to be had to The Hague. This agreement is also to extend to certain specified claims subsequent to July 1908, but I have no certain information as to what claims have been singled out for special treatment.

In connection with this last portion of the agreement I have the honour to transmit herewith copy of a despatch which the French Embassy addressed to the French Foreign Office on the 8th December, and which M. Bompard communicated to all his colleagues. At first sight it appears as though the proposal made in this despatch were at variance with the recent agreement. The explanation is that while the agreement aims at settling the principle and amount of contentious claims, the object of the despatch is to recommend the inclusion in the programme of the Financial Conference of the question how the Turkish Government is actually to discharge its unconsolidated liabilities dating from before July 1908. So far as British pecuniary claims are concerned, both aspects are combined in the proposals made some time ago to Hakki Pasha in connection with the negotiations concerning monopolies, &c. Having had no recent information as to how our own negotiations on this particular matter stand, I need only observe that the French agreement suggests an alternative course to that hitherto favoured by His Majesty's Government in regard to arbitration on British claims, and that, even though we should continue our own separate negotiations with a view to the actual settlement of our claims, there is, in my opinion, no reason why we should not at the same time welcome the idea of including the question of the floating debt in the programme of the Paris Conference. The conference would, in fact, be a second string to our bow, and as any separate agreement we might ourselves secure would probably not become operative for some time, it is possible that a more speedy settlement of claims might eventually be achieved under the auspices of the Paris Conference.

I have, &c.
LOUIS MALLET.

Enclosure 1 in No. 287.

Memorandum.

(Confidential.)

M. MATHIEU, of the French Embassy, read to me this morning the portion of the recent French agreement dealing with religious, charitable, and scholastic institutions. The following is a summary of the principal points contained in this important document, which appears to be in the form of a joint declaration by the two Governments. The summary will, I think, be most easily understood by being read in connection with Sir G. Lowther's despatches No. 331 of the 22nd April, 1912, and No. 495 of the 3rd June, 1913, and Mr. Marling's despatch No. 745 of the 27th August, 1913. It will be seen that this agreement, if it becomes definitive, will constitute a settlement much more advantageous than Mr. Marling thought possible when he wrote the last-named despatch. The fact is, that the French have found in the financial necessities of the Porte an even more effective means of pressure than they used in 1901. The Mytilene Agreement of that year was hurriedly drawn up. The object of the present settlement is to define the terms of that agreement, and in doing so the French have secured the triumph of their own point of view on a large number of the questions which has given rise to serious dispute of recent years.

2. The first part of the declaration deals with existing institutions, whether hitherto recognised or not, and with projected institutions or extensions which are the subject of now pending applications for authorisation. A list of all these institutions is appended to the declaration. Firmans are to be issued "d'office et sans frais" for all. They are to enjoy immediately, *i.e.*, without awaiting the issue of the firmans, immunity from all "impôts fiscaux, douaniers, et municipaux" subject to a continuance of the rule that the exemption from real property tax applies only to property owned by the institution. The exemption is to extend to all "attenances et dépendances," such as out-houses, courts, gardens, &c., but not to "immeubles de rapport" belonging to the institution. No arrears of taxation are to be claimed. All institutional property, including "immeubles de rapport," is to be registered in the corporate name of the institution "d'office et sans frais," the French Government admitting, on their side, that application for such registration must be made within six months of the handing of the firman to the embassy. No mukataa is to be imposed on freehold or sirf mulk

property so registered, and in the case of property liable to mukataa it is to be fixed only on the ground, the buildings being considered sirf mulk. Moreover, it is expressly stated that the payment of mukataa shall date from the registration in the corporate name only.

3. The second part of the declaration deals with institutions for which authorisation may be demanded in the future. It reaffirms the "six months' rule" laid down by the Mytilene Agreement, and the prohibition to create institutions in purely Moslem surroundings. If the Porte has grounds for objecting to the creation of a new institution or enlargement it must state them in a "motivé" reply to the application within six months, and the objections will then be examined by the Porte and the embassy conjointly. But it is expressly stated that the Porte shall not make the granting of the permission conditional on the renunciation of privileges enjoyed by the older institutions. On the contrary, new institutions shall enjoy all such privileges in their entirety, excepting only (and this is the most important concession made by the French) that they shall not be enjoyed in the case of newly-created schools and hospitals unless 25 per cent. of the pupils or patients are taught gratuitously. It is further expressly declared that no undertaking given by a purchaser of property at the time of its purchase, to the effect that it would not be used for institutional purposes, shall debar the embassy from applying for a firman to build an institution thereon. Nor shall such an undertaking be required of any French purchaser in future, it being understood that no institution can be established without proper authorisation under penalty of being closed. The enjoyment of the privileges to be enjoyed by future institutions to date from the registration of the property in the corporated name.

4. Teachers and pupils in recognised French schools are to enjoy the same immunities in regard to military service as those in Turkish State schools. Moreover, the value of their diplomas is to be the same for scholastic purposes as that of State schools, provided, however, that the school authorities make application to that effect, in which case they must submit to Turkish control, to be exercised with the co-operation of the consular authority, and to have reference only to their programme and examinations. The question whether schools must take out permits issued by the Department of Public Instruction is not adverted to, but M. Mathieu regards this question as tacitly settled in the negative, and considers it clear that the authorisation of the Porte, issued on the application of the embassy, will alone suffice.

5. Apart from the concession in regard to not claiming immunity from taxation for schools and hospitals, which do not do a certain amount of gratuitous work, only two important concessions are made by the French. They definitely recognise it as obligatory on institutions to register their property in the corporate name. The practical inconvenience of admitting this is that, according to the present rule, the annual mukataa on Wakf property is fixed at so high a rate (1 per cent. of the value) that it constitutes a heavy charge. Otherwise, it is in the interest of all parties that all institutional property should be so registered, and the admission that the mukataa is to be fixed only on the value of the ground mitigates the inconvenience just mentioned. The second concession is that made in connection with the control of schools which wish to have their diplomas recognised, but the requirement is reasonable in itself, and the implication that other schools are subject to no sort of control is of great value.

6. It cannot be hoped that this agreement will put an end to disputes with the Porte. The mere fact that it forges anew the Mytilene shackles will make it intensely distasteful to the Turks, and the lacunæ and the imprecisions in it are sufficiently numerous to provide much cause for controversy. To my mind the weakest point in its positive stipulations is that the enjoyment of privileges in the case of new institutions is to date, not from the issue of the firman, but from the registration in the corporate name. M. Mathieu makes light of this, as the agreement contemplates the registration as a mere corollary of the issue of the firman, but it is a formality which may be attended by a good deal of delay. None the less, the agreement as a whole is infinitely more advantageous than could have been expected a little over a year ago.

December 24, 1913.

Enclosure 2 in No. 287.

French Embassy, Constantinople, to French Foreign Office.

Péra, le 8 décembre, 1913.

AINSI que le sait le Département, le Conseil d'État avait rendu, presque au lendemain du rétablissement de la Constitution, et sur la proposition même de M. Ch. Laurent, une sentence approuvée par le Conseil des Ministres et sanctionnée par Iradé Impérial, ayant pour objet de déterminer le chiffre exact des dettes privées de l'État.

A part certaines réserves touchant, tant les délais impartis pour l'inscription des créances que les conditions de prescription, la mesure adoptée par le Gouvernement Impérial avait, dès l'origine, rencontré l'approbation générale des missions étrangères.

Plus de deux années s'écoulèrent pourtant sans qu'aucun moyen n'ait été envisagé pour sa liquidation, et ce ne fut qu'en 1911 qu'un projet de loi fut préparé par le Ministre de Finances et déposé au Parlement.

Le mode de payement instauré par ce projet pour les dettes liquides et incontestées apparut moins que satisfaisant et fit encore l'objet des réservations les plus expresses de la part des missions, mais les choses en restèrent là par suite des événements dont ce pays vient d'être le théâtre.

Avec le rétablissement de la paix, l'Union permanente des Délégués du Commerce étranger a pensé que le moment était venu de faire donner satisfaction aux créanciers de l'État ottoman.

Par une note qui est sans doute parvenue au Département, mais dont je crois néanmoins bon de lui envoyer ci-joint un exemplaire, cette institution a signalé à toutes les missions à Constantinople l'intérêt pressant qu'il y a de procéder à la liquidation des sommes inscrites à la dette dite flottante.

Je sais en effet tels de nos compatriotes qui attendent en vain depuis plus de dix ans le remboursement de cautionnements versés au Trésor ottoman, à l'occasion de marchés de fourniture; tels autres, qui réclament en pure perte des arriérés de traitement ou de pensions.

Je ne puis donc pour ma part que m'associer à ces désiderata, et j'estime que le seul moyen pratique de solutionner cette question serait de l'inscrire au programme de la prochaine session de la Commission financière de Paris.

Je serais heureux que votre Excellence voulût bien partager ma manière de voir; j'ai tout lieu de croire que tous mes collègues vont saisir du même vœu leurs Gouvernements respectifs.

M. BOMPARD.

[58730] No. 288.

Treasury to Foreign Office.—(Received December 31.)

Sir, *Treasury Chambers, December* 30, 1913.

I HAVE laid before the Lords Commissioners of His Majesty's Treasury Sir Eyre Crowe's letter of the 22nd instant, relative to a loan of two lakhs of rupees which the Government of India proposes to make to the Sheikh of Koweit on terms similar to those of the previous advance made to the sheikh in 1909

In reply I am to request you to inform the Secretary of State that, in the circumstances, their Lordships agree to the application to this new loan of the conditions set forth in their letters of the 8th April and the 7th May, 1909.

I am, &c.
T. L. HEATH.

[57977] No. 289.

Sir Edward Grey to Sir W. Townley.

(No. 489.)
(Telegraphic.) R. *Foreign Office, December* 31, 1913.

YOUR telegram No. 421 of 26th December: Shatt-el-Arab Riverain Commission.

After what you pointed out to Persian Government respecting navigation of Shatt-el-Arab, as reported in your telegram No. 389 of 16th November, and after assurance which you gave them in accordance with instructions contained in my telegram No. 462 of 18th November, further declaration seems superfluous, and in any case Frontier Commission is not concerned with navigation rights but only with delimitation of frontier.

You should point this out to Persian Minister for Foreign Affairs, and emphasise the fact that the Treaty of Erzeroum, which secures freedom of navigation to Persia, remains in force. If, however, Persia is willing to accept Riverain Commission, as represented to you by Minister for Foreign Affairs, I see no objection to reservation of her freedom of navigation being made in the document by which she formally agrees to commission levying dues, &c. There can, however, be no question as to reservation of Persia's sovereignty on the river since it is non-existent, as is clear from the wording of article 2 of the Treaty of Erzeroum (see Foreign Office memorandum of 3rd April, 1912) and from acceptance by Persia of mediating commissioners' line of 1850.

If above proposal is agreeable to Persian Government, and they will give you definite assurance that they will accept Riverain Commission without further delay, I will act as indicated in last paragraph of my telegram No. 484 of 19th December.

You should point out that the arrangements made for the Shatt-el-Arab were a principal inducement to Turkey to agree to the very favourable settlement of the frontier which we have now succeeded in obtaining for Persia, and that delay and objections from the Persian side now would be most unwise.